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WS SUMMARY

BUSINESS

ish: Jobless emier figures out tomorrow

Mr. Ernie Varley will decide this week on the scope of the planned Government intervention into the British Leyland and allegations, after he reports prepared by the chairman of the Enterprise Board.

Mr. Varley discussed the Chequers lunch yesterday with Mr. Varley, the Secretary. He is to make a statement in tomorrow.

He has made clear that is a full and open investigation of the allegations, he is also known to be that Leyland's operational problems in overseas markets is alien to the tradition he recognised, writes Terry.

Graham Barton, 34, the analyst who admitted the "Ryder letter" published in the Daily Mail, was still questioned by police yesterday. Back Page: Leyland Page 9; Editorial Comment Page 12

least 10 die hotel fire

At least 10 people, all thought to be British tourists, died in a fire which swept the small Ducrah Hotel in Brussels yesterday, said officials. At least 30 were injured. Some reports were on their way.

user setback

Mr. Malcolm Macmillan had a setback to his bid for the next General Election when he failed to get necessary majority of four out of six for his proposed constitutional change to elections for the House of Representatives and the Senate at the same time. This means that the Senate will meet in the year from July 1.

nn 'spy' arrest

High West German police, Det-Supt. Rolf Grueter, of the Federal Bureau of Criminal Investigation, is held on suspicion of being "an East European spy" it was disclosed yesterday. He was based in Hamburg.

ay Cross move

Four Party officials at Claydon, Suffolk, met this afternoon to discuss the move to save ten seats in the constituency. The move would mean that the constituency would be reduced to 10 seats.

ited welcomed

About 750,000 fans turned out to welcome home Manchester United after their 2-1 Cup victory. About 500 fainted from heat or passed out in the sun.

Pig farmers hit out as EEC court bans subsidy

BY JOHN EDWARDS AND DAVID BUCHAN
in London and Brussels

Britain's pig farmers yesterday warned against the collapse of the country's pig-meat industry, threatening future supplies of bacon and pork.

The warning came following down, or hold on in the hope of some permanent solution being worked out.

Mr. Jim Foster, chairman of the National Farmers Union, warned yesterday that the court ruling, if complied with, would cause "complete disruption and chaos in the pigmeat market."

"It means that the subsidy will end in a fortnight, and in the meantime every marketable pig will be marketed," he added. "There will be a flood of pigmeat on the market and then a shortage."

The signs were yesterday that Britain would comply with the ruling, but not immediately. It will now seek some other means of preventing pig producers being forced out of business.

By a coincidence, all the EEC Farm Ministers will be in Britain on Tuesday and Wednesday as guests of Mr. Silkin in his capacity as President of the EEC Council of Agriculture Ministers.

Although this is traditionally an informal occasion with only a short meeting, Mr. Silkin can be expected to use the opportunity to press for some compromise on Britain's plea that the method of calculating export subsidies given to other pig producers in the EEC is unfair.

Meanwhile, Britain's pig producers face a crisis period. They have to decide either to sell as many pigs as possible while the subsidy is still being paid thereby forcing market prices

'WE MUST RESPOND TO THE NEW REALITY' Carter sets foreign policy guidelines

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, May 22

PRESIDENT Jimmy Carter today set forth his vision of "a new framework of international co-operation as the basis of American foreign policy in a changing world."

He argued that the old certainties, based on containment of Russian Communism and an almost mystical belief in the Western Alliance, were no longer sufficient.

In a speech at Notre Dame University in Indiana, the President drew together the many strands of the current policy—from human rights, relations with the Soviet Union, Africa, the Middle East, to a new modus vivendi in the developing world—and expressed the rationale that he believes lies behind them.

He reiterated his determination to reach détente with the Soviet Union. White not referring specifically to the latest round of arms limitations talks with the Soviet Union, which concluded in Geneva yesterday, he said it was imperative to put an end to the "morally deplorable" strategic arms race.

As Mr. Carter put it today, détente with Moscow means much more than settling the arms race, controlling nuclear proliferation, or reaching bilateral agreements of mutual benefit. Détente should have beneficial effects on other countries, he said, suggesting that the Soviet Union would play a larger role in aiding the developing world.

At the same time, he went on, "we hope to persuade the Soviet Union that one country cannot impose its own social system on another, either through direct military intervention or through the use of a client state's military force—as with the Cuban intervention in Angola."

Optimism

He sought to invoke the traditional American spirit of optimism, which in his own sometimes missionary way he feels, and apply it to a modern, more subtle world. It was a speech of lofty rhetoric, recalling in tone, though not in content, some of the early speeches of the late President Kennedy.

"We can no longer have a policy solely for the industrial nations as the foundation of global stability," he declared, "but we must respond to the new reality of a politically awakening world."

"We can no longer expect that the other 150 nations will follow the dictates of the powerful, but we must continue, confidently, our efforts to inspire and persuade and to lead."

The world, Mr. Carter said, "is in the midst of the most profound and rapid transformation in its entire history. We can no longer separate the traditional issues of war and peace from the new global questions of justice, equity and human rights."

Mr. Carter said that U.S. policy "will not be affected by changes in leadership in any of the countries in the Middle East. Therefore we expect Israel and her neighbours to continue to be bound by U.N. resolutions 242 and 338, which they have previously accepted."

He reiterated that he was trying to suggest a more flexible framework for discussion of previously intractable issues—the nature of a comprehensive peace, the relationship between security and borders, and the issue of the Palestinian homeland.

American support for Israel, he said, was based on "our common respect for human freedom." He used similar rhetoric in his

Familiar

Mr. Carter's views on human rights, by now familiar, are the cornerstone of his foreign-policy thinking. Again he disavowed the use of "rigid moral maxims," and said he understood the limits of moral persuasion. "I have no illusion," he said, "that changes will come easily or soon."

"But," he went on, "I also believe that it is a mistake to undervalue the power of words and of the ideas that words embody. In the life of the human spirit words are action—much more so than in any of us realize who live in countries where freedom of expression is taken for granted."

"The leaders of totalitarian countries understand this very well. The truth is that words are precisely the acts for which dissidents are being persecuted."

U.K. will tell IMF team money supply on target

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

International Monetary Fund inspection team in London this week will be told that the U.K. is keeping well within the monetary and borrowing requirements limits set out in the agreement and is not seeking a relaxation of these limits.

Formal discussions with the team—covering the general state of the economy rather than alteration of any of the standby credit terms—will start at the Treasury this morning.

Meanwhile work has started in Whitehall on the preparation of a package of measures, which may be introduced in July or the early autumn, to use any leeway within the IMF limits to give a stimulus to the economy.

The promise or announcement of such measures is seen by Ministers as of increasing importance in the attempt to win trade union agreement to some form of pay policy after the end of Phase Two in July, given the lack of progress to the talks so far.

After the generally unfavourable reaction to the Budget in Whitehall, the Chancellor is not only accepting the conditional income tax cuts of £1bn, linked to a Phase Three pay deal, will have to be introduced on the basis of the most tentative signs of progress in the talks, but also that further measures are necessary.

Among the proposals under consideration are a further output cut in the basic rate of income tax, direct action to prevent price increases and further job creation measures.

The recent acceleration in the rate of inflation has been one of the main problems in the talks. Mr. Roy Hattersley, the Prices Secretary, clearly believes that further action on prices is a necessary part of any counter-inflation policy.

Possibilities under consideration are a postponement of this September's rise in school meal charges and a freeze on increases in the charges and fares of great railway and bus services which are making profits or expected to do so.

No decisions will be taken on a new package for a month to see how the pay talks are going and how much leeway is shown by the revised Treasury forecasts available then.

Some of the headroom has been removed by the withdrawal of the higher petrol duty and telephone rebate, but Mr. Denis Healey, the Chancellor of the Exchequer, told the Parliamentary Labour Party last week that the public sector borrowing requirement projection this summer might be somewhat lower than in the Budget, largely because of the rapid fall in interest rates.

His warning that cancellation of the £800m. sale of British Petroleum shares would remove any scope for a package of measures to prevent inflationary pressure in Whitehall that any leeway may be no more than a few hundred million pounds.

The U.K. is not expected to suggest any immediate alteration either in the terms of the IMF loan or in the borrowing pattern in the talks this week. While the earlier-than-expected move towards sustained surplus has started a debate in Whitehall on overseas borrowing policy, the next tranche of £370m., due on Wednesday, will be taken up either this month or in June.

The possibility of not taking up further tranches is, however, likely to be increasingly discussed later in the year. An IMF team is due to visit the U.K. in November specifically to discuss the ceilings for 1978-79.

The current inspection would have occurred with or without the loan under the IMF's normal procedure covering most members. It is also likely to involve consideration of the Government's present policy of holding the exchange rate at around \$1.72 in view of the commitment to maintain competitive position of U.K. manufacturers. No early change in exchange rate policy is anticipated.

ASTMS conference rejects bank nationalisation plan

BY CHRISTIAN TYLER, IN EASTBOURNE

The annual conference of the white-collar Association of Scientific, Technical and Managerial Staffs rejected by a narrow margin yesterday a plan to support the nationalisation of banks and insurance companies.

ASTMS, whose general secretary is Mr. Clive Jenkins, is widely represented in the insurance industry.

The ASTMS national executive, recognising the opposition of the union's big insurance section and the danger of opening a split, had recommended that nothing concrete should be done until all the members affected agreed. The delegates, meeting for their annual conference in Eastbourne, duly obliged.

But they went further. They also refused—by 398 votes to 356—to accept the leadership's recommendation that they approve the principle of public ownership.

It was the second rebuff for Mr. Jenkins at the conference. On Saturday delegates indicated an embarrassing defeat on him by throwing out a motion in support of the majority Bullock committee proposal for putting trade union worker-directors on company Boards. Mr. Jenkins was a member of the Bullock

committee and signed the majority report.

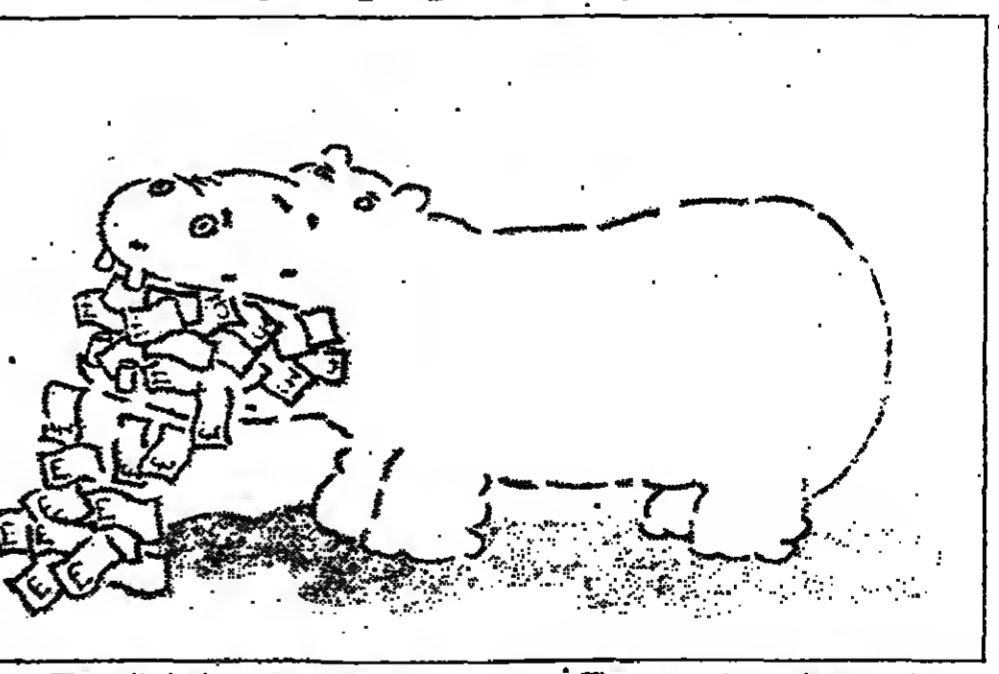
The vote on nationalisation of banks and insurance could also embarrass Mr. Jenkins, who is a member of the Wilson inquiry into the City.

But the major setback to Mr. Jenkins was over Bullock. This was delivered mainly by the left-wing, who described the report as a watershed compromise in an industry which itself meant collaborating with the bosses and weakening trade union power.

The decision pleased the Conservative ASTMS members as well. It plays right into the hands of the CBI and others, who are campaigning to emasculate the Bullock proposals and will confirm the conviction of many industrialists that the union rank and file generally wants no part of them. The Government has taken rank and file attitudes as the starting point for its promised white paper on industrial democracy.

There was no surprise at all, however, when the 1,100 delegates stuck to their consistent anti-incomes policy line and overwhelmingly carried a resolution rejecting further period of wage restraint after July 31 and another vigorously criticising the Government's economic policies.

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OVERSEAS NEWS

Spain sends five Basque detainees into exile

BY ROGER MATTHEWS

BILBAO, May 22

DOLORES IBARRURI, "La Pasionaria" of the Spanish Civil War, injected fresh emotional tension into her native Basque provinces today when she made her first public appearance since returning from nearly 40 years exile in the Soviet Union.

As the 81-year-old Communist Party president tearfully addressed tens of thousands of cheering militants, five Basque political prisoners who had been jailed for crimes of violence arrived in Brussels having been sent into exile, and a massive police hunt was continuing for the kidnappers of one of the region's most prominent industrialists Sr. Javier Ybarra.

GM smaller car plan

BY STEWART FLEMING

NEW YORK, May 22

GENERAL MOTORS, the largest of the U.S. motor manufacturers, is planning to increase production of its smaller, more fuel efficient cars later this year, Mr. Tom Murphy, the company chairman, said at its annual meeting.

Morocco says Zaire task over

RABAT, May 22

MOROCCO said today that the task of its 1,500-man force fighting rebels in Zaire's Shaba province is over.

The Moroccan contingent was flown to Zaire last month after initial successes by the rebels, who the Zaire Government says invaded from Angola with Cuban and Soviet help.

Zairean troops and their Moroccan allies have pushed steadily westward in recent weeks on the line of the Benguela railway. The Zaire News Agency, Azap, reported yesterday they had captured Dilolo—the point where the railway crosses the border into Angola.

Young stresses U.S. policy on S. Africa is flexible

BY GRAHAM HATTON

JOHANNESBURG, May 22

THERE IS as yet no formulated programme of American pressures or sanctions to force South Africa to scrap apartheid, Mr. Andrew Young, the Black U.S. ambassador to the United Nations, told newsmen here today.

He said a postscript paper had been prepared outlining various options, such as withdrawal of the U.S. military attaché in Pretoria, a tougher stance on visas for South African visitors to the U.S., and so on, but no decision had been taken to implement any of them.

At a breakfast meeting at the home of Mr. Harry Oppenheimer, the mining magnate, he told editors he was against broadly based sanctions and economic boycotts against South Africa to pressure Pretoria into accepting political change.

Last night he recommended a more broadly sympathetic, similar approach to businessmen judging from the warm applause attending a dinner in his honour at a Johannesburg hotel.

While conceding that there are crucial differences between the U.S. and South Africa, Mr. Young refused to be deflected from his now well-known views on Saturday calling for a great deal from the American South Africa and an inter-continental movement of which national postal and telecommunications boycotts are a part.

Reaction to Mr. Young's views Rhodesia despite reservations has been mixed. The business by Western nations at the common whom he met last night fercase.

Mondale, Owen talks on Vorster meeting

By Bridget Blinn

MR. WALTER MONDALE, the U.S. Vice President, arrived in London from Belgrade yesterday and last night had dinner with Mr. Callaghan, the Prime Minister and Dr. David Owen, the Foreign Secretary, at Chiswick.

Through Mr. Mondale will review the whole of his 10-day European tour with British Ministers, clearly his prime purpose is to discuss the centrepiece of that visit, his meeting in Vienna late last week with Mr. John Vorster, the South African Prime Minister.

British ministers are unlikely to be surprised at the profound gap which emerged in the separate development scheme. However, Mr. Callaghan and Dr. Owen will not doubt want to know how the U.S. Administration sees its relations with South Africa in the immediate future, particularly in regard to the tougher action at which Mr. Mondale hinted if South Africa continues to refuse to change.

Israel coalition move

BY L. DANIEL

TEL AVIV, May 22

NEGOTIATIONS for the formation of a new Israeli Government—this time headed by Likud's Menachem Begin—will begin on Tuesday with a meeting between Mr. Begin and Prof. Yigal Yadin, the leader of the newly-emerged centrist organisation the Democratic Movement for Change (DMC).

It is difficult to see how the DMC's seven point programme can be reconciled with that of the Likud. The main obstacles are the DMC's insistence on new general elections within two years on the basis of a reformed election system and its readiness for territorial concessions not only in Sinai and on the Golan Heights, but also on the West Bank.

A compromise may be reached on the first point. The Likud is ready for electoral reform but wants a full four-year term now that it has at last emerged as the single largest party with 35 per cent of total votes.

But it is difficult to see how the two parties can compromise on the issue of the West Bank, especially as the other potential coalition partner which the Likud will need to get a workable majority in the house insists on total retention of the West Bank.

Law of the sea conference reconvened in New York

BY REGINALD DALE

THE long-running UN Conference on the Law of the Sea (UNLOSC) reconvenes in New York today for what delegates are predicting will be a "make-or-break" session.

By far the most difficult issue for the 156-nation talks will be the establishment of agreed rules for exploiting the vast mineral riches that lie deep on the seabed beyond national jurisdiction.

While the UN has agreed that these resources mainly in the form of nickel, cobalt and manganese nodules are "the common heritage of mankind", the world's rich and poor nations remain deeply divided over who is to develop them.

emerged from the sixth session, individual countries, led by the U.S., will almost certainly go ahead with their own unilateral legislation to allow work to start.

Governments would not, of course, be entitled to allocate world rights to their own companies in specific areas of international waters. But the expectation is that Washington would at least give a general assurance that wherever one American company started operations it would at least have exclusive rights vis-a-vis other U.S. enterprises.

Once such an assurance was given, experts believe that American companies would quickly move into the most promising areas, such as the zone midway between the U.S. West Coast and Hawaii. But if they did so before international agreement had been reached in the Law of the Sea Conference, there would be an outcry from developing countries, who do not possess the necessary technology to mount their own operations.

Decision is delayed on Irish fish measures

BY DAVID BUCHAN

BRUSSELS, May 22

THE EUROPEAN court in Luxembourg today decided not to order the Irish Government to end its unilaterally imposed fish conservation measures, as the Brussels Commission had asked the court to do.

Instead, the court decided to hear the case again on June 22, and until then Ireland is free to continue its measures, which recently led to the arrest of 10 Dutch trawlers.

But the court—in deferring its decision—commented that the measures had a "discriminatory appearance" that they "may well jeopardise the successful outcome of Community deliberations" on an internal EEC fisheries regime and were com-

plicating fish negotiations between the EEC and third countries.

But, given the fact that there was nothing yet agreed to replace the Irish measures, and that there was still a good chance that negotiations might soon succeed within the Council of Ministers, on a common policy, the Luxembourg court decided to stay its hand.

Following today's court opinion, Irish officials feel they are still free to enforce their measures.

Referendum setback for Malcolm Fraser

BY KENNETH RANDALL

CANBERRA, May 22

YESTERDAY'S national referendum on four proposed changes to the Australian constitution have produced a serious setback to the Prime Minister, Mr. Malcolm Fraser, in his planning for the next general elections.

Mr. Fraser has failed to obtain the necessary majority of four states (out of six) approving his proposal that future elections for the house of representatives and the Senate should be held simultaneously—despite the nationwide support of the Labor Party opposition, headed by Mr. Gough Whitlam.

As a result, the Government will now have to face elections for half the seats in the Senate sometime in the 12 months beginning on July 1. On several grounds, the prospect has introduced elements of uncertainty and potential instability into the Australian political outlook for a

period which is of critical importance to the chances of the Government's re-election.

If the referendum had been carried, the Senate poll would have been deferred to coincide with the next general elections—probably towards the end of next year but possibly as late as March 1978. This would have given the Government the maximum possible time to get results from its tough and largely unpopular economic policies.

The intervention of a Senate election now places the general economic strategy, and possibly the August budget, under renewed pressure, even though the will now have to face elections for half the seats in the Senate sometime in the 12 months beginning on July 1. On several grounds, the prospect has introduced elements of uncertainty and potential instability into the Australian political outlook for a

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Trade abuse in TV industry criticised

BY DAVID BELL

WASHINGTON, May 22.

THE INTERNATIONAL television industry has seen "some of the most abusive practices" in world trade, Mr. Robert Strauss, chief American trade negotiator, told reporters soon after reaching agreement with the Japanese on restriction on colour television exports.

The situation in the industry, he went on, underlined the urgent need for fresh progress in the Geneva trade talks. In particular there was a need for a new set of rules with which to define fair trade practices. In an effort to get the present talks off "dead centre," he is to visit a number of European capitals later this year in an attempt to clear the way for substantive talks later, probably early in 1978.

Mr. Strauss was careful not to single the Japanese out for public criticism but he left little doubt to whom he was referring. He noted that "a number of countries" had been accused of predatory pricing practices, unfair competition and unfair subsidies and said there was no doubt that there had been "serious problems with the Japanese industry."

In the light of this he said the new orderly marketing agreement had been carefully designed to encourage Japanese producers to set up more new plants in the U.S.

"Separate assurances have been made that the Japanese Government will encourage investment by Japanese TV makers in productive U.S. facilities to provide for substantial levels of U.S. labour content in the production and assembly of semi-finished imports," Mr. Strauss said.

The agreement, which restricts Japanese exports to 1.75m. sets a year for the U.S. market for the next three years, means a 40 per cent. decrease over Japanese exports last year.

However, there is abundant evidence that producers and retailers had flooded the market in advance of the agreement, fearing that it was coming, and there are now large stocks of Japanese sets in this country.

Mr. Strauss stressed that once again the Carter Administration has avoided an outright protectionist move. He conceded that the orderly marketing agreement was a "restraint of trade," but said that, given the pressure for more protectionism inside the U.S., it was the very least that the Administration could have done. "It is sort of like medicine—it is not very pleasant but if you do not take it now things will be very much worse later on," he said.

The U.S. International Trade Commission, which proposed quotas rather than an orderly marketing agreement, defined completed and semi-completed sets slightly differently from the way they are described in the new U.S.-Japanese agreement. Under this, completed sets are defined as either a fully assembled set or a completed kit that can be assembled.

In completed sets are defined as either a picture tube accompanied by a "significant portion of television receiver electronics" or as all or part of a chassis frame with a main printed circuit board.

Mr. Strauss said that one of the aims of this decision was to increase the U.S. labour "input" into Japanese-made sets to at least 35 per cent, and that these definitions would help realise that aim.

EUROPEAN AEROSPACE

New airlines under scrutiny

BY DAVID CURRY

TWO DESIGNS for a European-built short to medium haul airliner to come into service in the early 1980s are now being studied by experts from the British, French and German aerospace industries.

The projects are very different. The British design, argued by the British Aircraft Corporation (now British Aerospace) is based on a stretched version of the existing BAC One-Eleven airliner re-equipped with two 10-tonne (22,000 lbs) thrust rear-mounted CFM-56 engines—which have been developed jointly by General Electric of the U.S. and SNECMA of France.

The French concept calls for a completely new airliner to exist in two basic versions, christened the A200A and the A200B, the former carrying around 120 passengers and the latter, which would, in fact, be the first to be developed, holding up to 174 passengers. Both versions would be powered by two CFM-56 engines under the wings and their only fundamental point of difference would be length of fuselage.

BAC's X-Eleven project was refused State aid some months ago by Mr. Gerald Kaufmann, the Aviation Minister, but the company has maintained work on it and has tried to interest Japanese and American clients. Its main selling point would be its relatively low development costs and hence the ability to hold down the weight of depre-

ciation charges in the calculation of economic efficiency for the airlines.

The French project, being promoted by the State-owned company Aerospatiale, which is a partner in the Airbus consortium, clearly owes much both to the Airbus experience and to the work which went into the abortive project to develop the Mercure 200 with McDonnell Douglas.

Its plans call for the maximum compatibility with the Airbus itself, and Aerospatiale is arguing that two versions of the A200, plus eventually a long-range version of the Airbus along with the planned E-10 shortened medium-range Airbus will constitute a complete range of aircraft in all but the Jumbo category and small feeder aircraft which, in any case, is filled by VFW-Fokker.

Aerospatiale claims that the A200 project meets most exactly the requirements of airlines explained to it during the presentation last November together with Douglas of the Mercure 200 at Long Beach.

This showed, the French company argues, that the need is for a 3,000 km. range aircraft, for service around 1982, in versions carrying around 120 and 160 passengers two-class, meeting severe requirements for operating costs and initial price to make it competitive with the Boeing 737, 727 and DC9.

These exigencies, together with Douglas' own interest in seeing the Mercure as filling the gap between the DC9 and DC10 and increased in range and capacity, would have meant a complete redesign of the Mercure, including the wing.

Disagreements with the American company over its own ideas for a new version of the DC9 itself, over French anxiety to avoid developments which would compete with the Airbus, and failure to agree over the financial arrangements added to the growing feeling that the Mercure 200 simply would not fit the bill, served to kill off the Mercure project though the funeral oration has yet to be pronounced.

The A200B with the 22-24,000 lbs thrust engine would have capacity of 160 passengers in two classes claimed to be 15 per cent. better than the 737-200 which is the yardstick against which the project is measured. Its range would be 3,750 km.; with the eventual 25,000 lbs thrust engine its range would stretch to nearly 4,200 kms.

The A200A with its 22,000 lbs thrust engines would carry 120 passengers over almost 5,000 km. For this machine a 15 per cent. higher capacity than the 737-200 is claimed. The CFM-56 motor claims a 30 per cent. saving in fuel costs over the JT8D but has a higher purchase price. Eventually a 27,500 lbs thrust version is planned giving the A200B a take-off weight of more than 80 tonnes.

Two years ago at Le Bourget the French Government called for a European venture to build a new airliner; it claims the poor response to that call led it into the venture with Douglas. This time industry is likely to have a difficult time persuading the French, German and British Governments of the well-foundedness of either A200 or X-Eleven project.

The French and the Germans still face very heavy expenditure on the Airbus development, and even the hope of a kiss of life from Eastern Airlines is not about to transform this project into a money-spinner.

The British Government has to decide whether to join the Airbus project itself as it is under pressure to do from its own industry and overseas Governments, and may think that the simultaneous endorsement of two European projects looks highly risky. Having refused aid to BAC to develop the X-Eleven, Whitehall is unlikely to enthuse over the A200 project, particularly since both projects have a rather improvised look.

France also has to face the problem of how to replace the Caravelle fleet of Air France: the odds here are on Boeing 737s with an arrangement for Aerospatiale to re-equip 707s with CFM-56s by way of "counter-purchase." This would answer some of the unemployment problem at Aerospatiale which is undoubtedly worrying the Government.

Italy signs £330m. contract with Iran

BY PAUL BETTS

ROME, May 22.

AFTER nearly two years of delicate negotiations with the Iranian Government, Italmoplant, the Genoa-based State-controlled civil engineering group, has signed nine contracts worth £500m. (about £330m.) representing the first part of a deal, estimated at an overall value of about US\$2bn., to build a steel and harbour complex at the southern Iranian port of Bandar Abbas.

Italmoplant is expected to sign nine further contracts related to the Bandar Abbas project in the first fortnight of June.

Part of the Iranian payment is understood to involve direct crude supplies to Italy, while the balance is expected to be covered by export credits. Informed sources disclosed that the first nine contracts were signed in Tehran last week between the Iranian Government and the chairman of the Italian group, Sig. Lucien Sicouri.

Sig. Sicouri is expected to remain in Iran until the middle of June for the completion of the entire Italian deal.

The Italmoplant contracts represent another major overseas success for Italian industry which is already involved, through the semi-state construction group, Condotte d'Acqua, in a \$1bn. project to build a commercial harbour also at Bandar Abbas.

In recent months there has been intense Italian diplomatic activity in the oil producing countries of the Middle East, including Iran.



Salient points from the Statement by the Chairman, Mr. John McLaren

- Profit before taxation was £1,930,000 compared with £926,000 in 1976. Earnings per share 4-55p (1975 1-79p).
- We plan to spend about £1,600,000 on fixed assets in 1977, double the amount spent in 1976. Working capital requirements will also increase.
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World Economic Indicators

INDUSTRIAL PRODUCTION

	April 77	Mar. 77	Feb. 77	April 76	% change in year
U.S.	129.8*	128.8*	127.1*	122.5	+6.0
W. Germany	111.8*	112.7*	107.4*	108.4	+2.9
U.K.	104.3	104.0	104.3	101.9	+2.3
	Feb. 77	Jan. 77	Dec. 76	Feb. 76	
Belgium	117.9	110.7	107.3	110.7	+6.5
Italy	126.7	123.9	129.8	115.5	+2.5
Japan	127.7	128.6	128.8	118.2	+8.0
Holland	114.0	113.0	120.0	111.0	+3.6
France	127.0	130.0	124.0	120.0	+5.8

* Provisional

Petrobras order expected

BY HUGH OSHAUGHNESSY

PETROBRAS, the Brazilian state oil concern, is expected to place an order with a Scottish yard for a simple offshore oil drilling platform during the next few weeks. It would be similar to the \$5m. steel platform structure Petrobras ordered from the Ardrossan yard of McDermott in December.

Highland Fabricators' yard at Nigg Bay is being strongly tipped for the Brazilliao work this time. Sr. Shigeaki Ueki, the Brazilian minister of energy, had talks with Highland Fabricators during his visit to Britain this week. Sr. Ueki also had discussions with Shell and BP and visited the Fortles field.

The Brazilians are later expected to place orders for drilllog rig equipment following the raising of \$90m. in loans for oil equipment in the London capital market this week.

While a second platform order would consolidate the British position as a supplier to the Brazilian offshore industry the Brazilians are eager to develop their own platform building capability. Foreign oil companies signal risk contracts with Petrobras for oil exploration in Brazilian offshore areas, such as BP, are being encouraged by the Brazilliao to use locally produced equipment to the utmost. Brazilian yards are likely eventually to take over supplying the simpler offshore platforms.

Ray Dafter, Energy Correspondent, writes: Platform builders are anxiously waiting for a new round of orders which could help to fill the dwindling order books. Apart from export work there are also signs that a number of North Sea operators could place new contracts within the next few months.

Four of the eight yards are currently without any orders at all: ANDOC at Hunterston, Laing Offshore at Graythorn, Redpath Dorman Long at Methil and Sea Platform Contractors at Portavadie.

Chevron is expected to confirm a second steel platform order for the Ninian Field with HIFAB within the next month while Conoco, as operator for the Murchison Field, is seeking tenders for a new platform from all the U.K. steel platform yards.

July will be a particularly crucial period for RDL's Methil yard where all but the staff and apprentices are due to be paid off next Friday. The yard's future depends on a major new contract. Shop stewards believe that between 65 and 70 per cent. of the skilled workforce have already secured new jobs which means that RDL faces the challenge of recruiting a new labour force again.

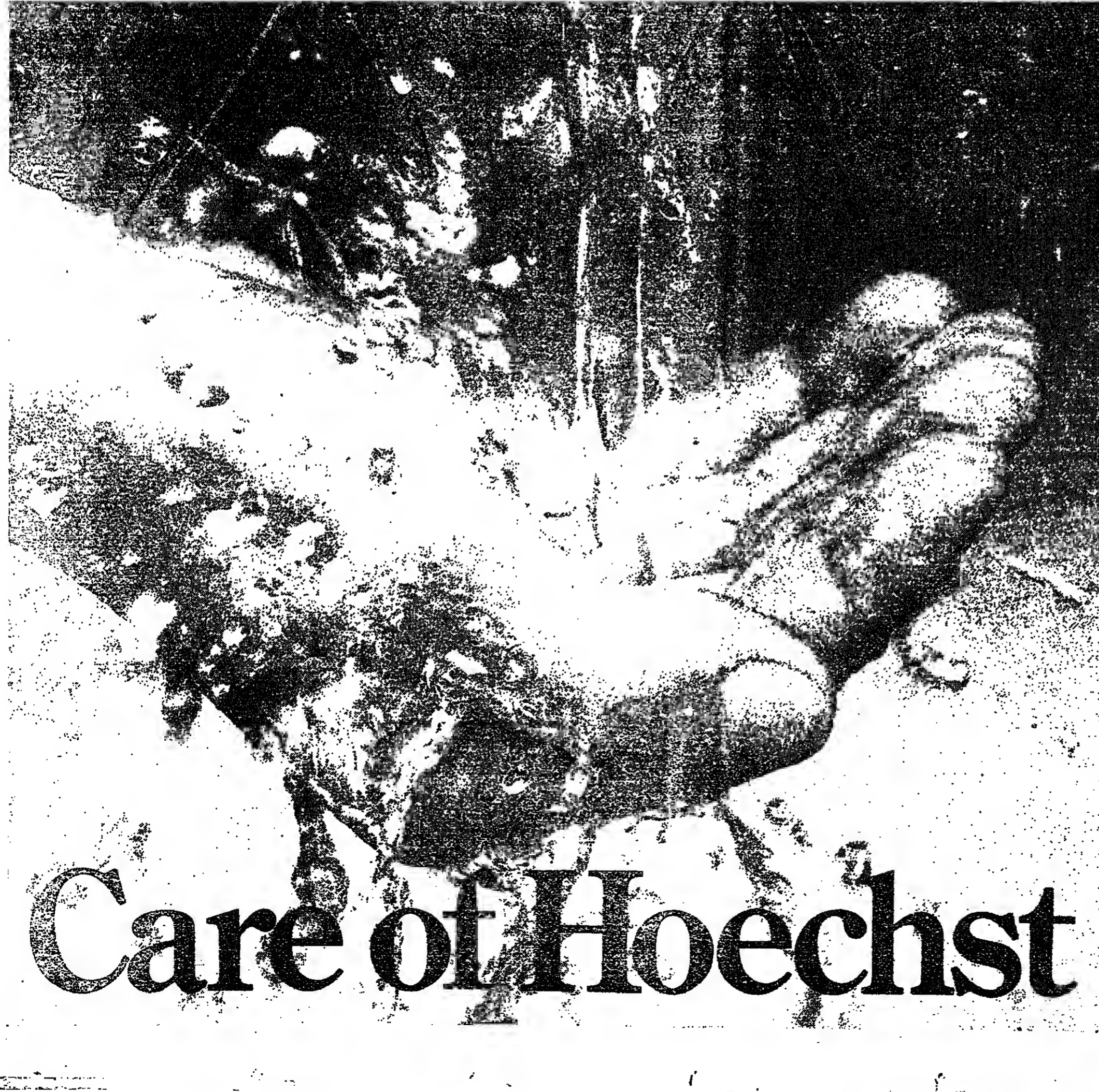
Dell flies to Moscow

Financial Times Reporter

TRADE SECRETARY Edmund Dell flies to Moscow to-day to discuss prospects for more big Russian orders for U.K. companies.

The annual Anglo-Soviet trade talks get off to a good start in the shadow of the £150m. contract for a Methanol plant—the largest single contract signed between U.K. firms and Russia—which was signed last week.

But Mr. Dell is hooped to point out to his opposite number, deputy PM Vladimir Kirillin, that more than half of the "Wilson credits" of the £950m. credit arrangement agreed in February, 1975, still remains to be taken up. Even with the new methanol contract more than £600m. credits still remain to be allocated.



Fortunately, not everyone thinks about water supplies only when there's a drought.

Some years ago, a high density polyethylene, called Hostalen, revolutionised the manufacture of mains water pipes.

Now they're used by water authorities throughout the UK.

Unlike traditional supply systems, they resist corrosion. They're flexible, easy to handle and transport.

Hostalen makes it easy to reline faulty water mains, too. This means a great saving in time and cost.

And who developed Hostalen? Hoechst.

It's one of the world's largest companies. Last year it spent over £200 million on research alone.

Hoechst in the UK employs over 8,000 people. In 1976, its UK companies had a turnover of about £300 million.

Its products in the UK, apart from plastics, include agrochemicals, pharmaceuticals, veterinary products, chemicals, decorative and industrial paints, high tenacity fibres, packaging films and office equipment.



For more facts, please write: 'Care of Hoechst', Salisbury Road, Hounslow, Middlesex. Or phone 01-570 7712 ext. 3169.

Care of Hoechst

Handwritten signature or mark at the bottom of the page.

APPOINTMENTS

Mr. Brian Nicholson on CompAir Board

Mr. Brian Nicholson has been appointed to the Board of CompAir...

Mr. Gordon Mitchell has been appointed financial director of Thomson North Sea...

Mr. L. F. Chamberlain has been elected chairman, and Mr. L. P. B. M. David Collins, manager...

Joint company formed by Dowty and Smiths Inds.

Dowty Group and Smiths Industries have agreed to strengthen their existing collaboration...

C. G. C. Cooks (Dowty), Mr. R. F. Krens and Mr. J. S. Riva (Smiths Industries)...

of the Overseas Development Institute since January 1 this year. Sir George served as chairman of the West India Committee from 1969 to 1971.

Mr. Ralph Maddox has been appointed chief executive of Condura Fabrics...

Dr. Hans-Joachim Erdmann is to join Wuerthelbergische Kommune Landesbank in Stuttgart as director responsible for international business...

SCOTTISH AND UNIVERSAL INVESTMENTS. Mr. A. D. Peebles has been appointed secretary...

Mr. John Cooper, vice-president of the London Chamber of Commerce and Industry, has been appointed chairman of the EXPORT YEAR COMMITTEE FOR GREATER LONDON.

Mr. J. R. Hope has been appointed managing director of EPS (SITTINGBOURNE), the new trading name for the Export Packing Service factory at Sittingbourne, Kent.

Help the Aged has appointed Mr. Peter Borwing, deputy chairman of C. T. Bowring, as its new chairman.

Four Board appointments have been made by the OGDEN GROUP OF COMPANIES. Company secretary Mr. Fergus N. Colvin, joins the main Board...

EMCO (GREAT BRITAIN) has made Mr. Robert E. Collins marketing director.

Mr. A. G. Kanehl, a main Board director of Paterson Zochonis, has been appointed managing director of CUSSONS GROUP.

Mr. R. P. Shallow, Mr. A. E. Taylor and Mr. M. L. Lawinski have been made directors of PAGOL STORAGE & TRANSPORT CO.

Mr. M. H. Keir has been appointed a director of FIELDING JUGGINS MONEY & STEWART, Lloyds' brokers.

WEEK'S FINANCIAL DIARY

Table with columns for TO-DAY, WEDNESDAY, THURSDAY, and FRIDAY, listing various financial events and dates.

The following is a record of the principal business and financial engagements during the week.

Table listing various financial events, dates, and locations for the week.

Table listing various financial events, dates, and locations for the week.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Table listing U.K. trade fairs and exhibitions with dates, titles, and venues.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table listing overseas trade fairs and exhibitions with dates, titles, and venues.

BUSINESS AND MANAGEMENT CONFERENCES

Table listing business and management conferences with dates, titles, and venues.

This week in Parliament

Commons—Debate on the Annual Report of the future of Broad-based... Lords—Presumption of Death (Scotland) Bill (second reading)...

APPOINTMENTS

ACCOUNTANT

c. £6,000 An accountant is required for the Insurance Division of a major international group based in the City of London...

COMPANY NOTICES

HISPANO FUND

For the information of Unit Holders: In the United Kingdom Coupon Number 11 is now payable on presentation to the London Paying Agents, Charterhouse Japhet Limited...

WHITBREAD & COMPANY LIMITED NOTICE IS HEREBY GIVEN that the 1977-78 Accounts of the Company will be closed on 31st June 1977...

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INTERNATIONAL BANKING One of the best established banks in the City is very keen to add to its strength in the following areas...

LEGAL NOTICES BUILDING SOCIETIES ACT 1962 NOTICE UNDER SECTION 20...

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Credito Italiano logo and advertisement text: Under the Chairmanship of Professor Silvio Golzio, the Annual General Shareholders' Meeting of Credito Italiano was held in Genoa on 22nd April 1977.

HOME NEWS

Du Cann wants new spending watchdog

PERT CORNWELL, LOBBY STAFF

TORING committee of out of date, whole areas of ever-increasing public spending...

Eye on extravagance

One special sub-committee of it would look after the auditing job of Public Accounts, which traditionally has exposed particularly unjustifiable extravagances...

Accountants rebel over new system

BY MICHAEL LAFFERTY, CITY STAFF

A GRASS-ROOTS rebellion against compulsory inflation accounting is forcing the English Institute of Chartered Accountants to convene a special meeting...

Christie's to sell 1863 Latour

By Edmund Penning-Roswell

LATOUR, the English-owned first-growth Medoc, is following its Panillac peers in offering a wide range of its wines at Christie's on the evening of June 16...

Mason on new path to power sharing

BY GILES MERRITT

MR. ROY MASON, Northern Ireland Secretary, today will open a series of talks with Ulster political leaders by meeting Mr. Harry West, leader of the Official Unionist Party...

Government near victory over comprehensives

MRS. SHIRLEY WILLIAMS, the Secretary for Education, has won the first round in the battle to force eight reluctant Conservative education authorities to submit plans for comprehensive reorganisation...

New £25,000 training aircraft

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MR. JOHN BRITTEN, who designed the highly successful Islander twin-engine light transport aircraft with Mr. Desmond Norman, has now designed another new aircraft, a light twin-engine trainer called the Sheriff...

Month's blessing tal out -morrow

LEGAL

UNEMPLOYMENT figures for the month, due to be published tomorrow, will be watched closely as the most important economic indicator of the week...

More unemployed 'in coming months'

BY MICHAEL BLANDEN

THE MONETARY squeeze from September to March will produce a rise in unemployment over the coming months, stockbrokers say in its monetary bulletin published today...

April sets record for National Savings

BY CHRISTOPHER HILL

NATIONAL SAVINGS has made a good start to the present financial year. Last month's results are the best achieved in any one month...

Table with columns: End April 1977, April 1976, Savings Certs, etc.



Nifisk World's largest manufacturer Industrial Suction Cleaners

BANCO DI NAPOLI ANNUAL REPORT 76. Assets and liabilities table. Capital Funds and Reserves: Lit. 12,372,215,245

Advertisement for Infotec copiers. 'And on your chosen subject, Office Communications, you passed on five questions...' Includes image of a man and text about Infotec products.

July 10 1975

HOME NEWS

Liberal Council supports pact with Government

PHILIP RAWSTORNE
JAMES CALLAGHAN'S pay deal and Government's of securing renewed support in the Commons...

LABOUR NEWS

Hawker Siddeley staff appeal

BY OUR LABOUR STAFF
AN APPEAL by the Hawker Siddeley Dynamics staff association at Hatfield against refusal of a certificate of independence under the Employment Protection Act...

Massey-Ferguson dispute flares as 90 walk out

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT
ABOUT 90 workers have walked off the job for the Massey-Ferguson alleged lack of effort last week...

Local government workers expected to seek 30% rise

BY DAVID CHURCHILL, LABOUR STAFF, IN BRIGHTON
DELEGATES representing more than 650,000 local Government employees, members of the National Union of Public Employees, are expected to endorse their leaders' demands for an almost 30 per cent increase in basic earnings to-day.

GLC may scrap union plans

BY DAVID CHURCHILL, LABOUR STAFF
PLANS for a closed shop and participation on council committees for 20,000 white collar staff employed by the Greater London Council are expected to be scrapped to-morrow at the first full meeting of the newly-elected council.

Standards 'down'

TASS, the staff section of the Amalgamated Union of Engineering Workers, says that a survey shows a decline of up to 15 per cent over the last two years in the living standards of white-collar workers in engineering.

CPSA action

GOVERNMENT departments are expected to be disrupted for two days this week as part of industrial action by the Civil and Public Services Association in protest at the suspension of 500 of its members in Gibraltar in October.



Armstrong Equipment buys Imperial factory

BY RHYS DAVID, NORTHERN CORRESPONDENT
ARMSTRONG EQUIPMENT, maker of motor components, is buying over the Hull factory of Imperial Typewriters...

LEYLAND STATEMENT

'No evidence found to support bribery charges'

THE FOLLOWING statement on authenticity of the so-called Barton documents was issued by Leyland on Saturday. 'To-day's Daily Mail attributes the statement to Mr. Barton that introduction of Barton 1 refers to all the documents from my report which the Daily Mail published are authentic. This, August of that year—six months later, is widely acknowledged and accepted.'

Ryder letter confession

THE MAN who admitted forging the 'Ryder letter' bod made an astonishing confession which, if true, would shed new light on the Leyland slush money affair, Mr. David English, editor of the Daily Mail, said on Saturday.

PERSONAL

BUSINESS IN ITALY?

Itaipak deal gives you 1 to 6 or more nights in Milan, Turin, Florence or Rome at 1st class hotels plus Alitalia scheduled flights at very competitive prices. Ask any Alitalia office in the UK.

GAS-THE FUEL IN THEIR FUTURE.
We're lucky in Britain, we have vast reserves of natural gas in the North Sea—enough to supply our essential needs for decades to come.
NATURAL GAS HAS ALREADY BROUGHT GREAT BENEFITS TO BRITAIN. IT SAVES US THOUSANDS OF MILLIONS OF POUNDS EACH YEAR ON OUR BALANCE OF PAYMENTS. IT SUPPLIES A QUARTER OF ALL THE HEAT OUR INDUSTRIES NEED. AND OVER 13 MILLION CUSTOMERS ALREADY USE THIS CLEAN, CONTROLLABLE AND ECONOMICAL FUEL TO HEAT THEIR HOMES AND COOK THEIR MEALS.
But the best is yet to come. Because, as more gas becomes available, the benefits will continue to grow. Natural gas is a vital resource for Britain—and fortunately an abundant one. But it's much too good to waste.
Provided we continue to use it wisely, natural gas will continue to serve our children for decades to come.
GREAT GAS SAVE IT FOR GREAT BRITAIN!
BRITISH GAS

Building and Civil Engineering

£4½m. award to Sunley

AN 11-storey office building on the Deira side of the Dubai creek in the Gulf is to be constructed for the Bank of Credit and Commerce by Bernard Sunley and Sons (Dubai) Pvt., a wholly-owned subsidiary of Bernard Sunley and Sons. Value of the contract is about £4½m.

The building is expected to attract a lot of attention as it will be faced in blue mirror glass. It will have black American walnut joinery with polished marble wall cladding in the banking hall.

Sunley says it expects to complete a floor every 21 days and complete the entire project by February 16, 1979. Architects are Fitzroy Robinson and Partners.

Variety of jobs for Tilbury

MUCH OF the work to be carried out under the £2m. worth of contracts won by Tilbury Construction is for the building of dwellings.

Bourne Housing Society has placed an award worth £1m. for the construction of 63 flats at Wallington, south London. Runner up in terms of value is a £230,000 siteworks order subcontracted from Lewellyn Homes for the G.L.C.

Gilksen Hardwoods is to have a £277,000 office and storage complex in Gloucestershire, while Percy Bilton has ordered the construction of a new pumping station worth £233,000 at a site in Middlesex.

Tilbury's tender of close on £100,000 has been accepted by Hampshire County Council, covering the construction of a jetty in timber and a harbour-master's office on the river Hamble.

Other jobs in the region of £1m. to £1m. are modifications to

a sewage works for the Thames Water Authority, works for the Southern Water Authority, marine works for Shell U.K., and alterations to a garage for National Bus at Hertford.

Town centre project

UNDER A contract worth about £3.2m. Willett is to construct a multi-level building complex in the centre of Kingston-upon-Thames, Surrey, involving extensive space for a large department store, individual shops and offices and a rooftop car park. This is the second phase of a town centre redevelopment scheme.

When the work is completed in two years time, the complex will have elevations on Eden Walk in the north, Eden Street to the south and Union Street in the west. Architects are Ronald Ward and Partners, with Hay Barry and Partners acting as structural engineers.

Piling starts in June, firstly for a helical ramp to be constructed near Union Street which will eventually carry cars up to rooftop level and thence over Eden Walk by link bridges to a car park.

Piling contractor is Cementation Piling and Foundations which is to construct about 170 large diameter piles as basic foundations for the overall complex.

Four awards to Balfour Beatty

WORK WORTH £1.6m. recently obtained by Balfour Beatty Construction includes two contracts won in open competition from its parent BICC. These two jobs are worth

£680,000. One is for Phase 1 of a new wire-forming facilities building at the Leigh factory of BICC General Cables. The second will cover the erection of a £320,000 single-storey computer centre at Penrith. This will become operational next year.

Jobs Dairy has placed an award worth £725,000 for the construction of a warehouse and cold store at Wraysbury in Surrey while the fourth contract comes from the G.L.C. This is for £260,000 and covers advanced civil engineering works at Thamesmead where Balfour Beatty is already building a £700,000 pumping station for the same organisation.

Housing for airport workers

GATWICK AIRPORT Housing Association has begun development of a housing scheme at Wimblesbury Park, Horsham, Sussex, on land purchased from Laing Homes.

The £2.2m. contract has been awarded to John Laing Construction and work will start next week.

The scheme managed by Deelen Kelly Associates, will house key workers from the Association's waiting list. Finance is being provided by Horsham District Council which in return is to be offered nomination rights to half the 240 dwellings.

Grouped together in short mixed terraces, the dwellings will be of one or two storeys. They have been designed by Quantile Associates with L. C. Wakeman and Partners as quantity surveyors.

£4m. palm oil mills in Nigeria

TWO PALM oil mills are to be constructed, on the Ibiae and Kwa Falls Estates for the Cross River State in Nigeria at a cost of £4m.

The contract will be carried out by Vandarkhove N.V. of Rosendaal, Belgium, a company in which Sima Darby has a 40 per cent interest.

On the Ibiae Estate, the mill will use river water and a special treatment plant will be installed so that unpolluted water may be returned to the river.

The Ibiae mill will have an initial capacity of 12 tons of fresh fruit bunches an hour to be extended later to 24 tons an hour. The Kwa Falls mill will have an initial capacity of six tons an hour to be extended later to 12 tons an hour. By installing parallel lines production capacity can be doubled at both mills.

Survey of plant hire

OF THE 333 British plant hire companies examined in a financial survey by Jordan Dataquest only 43 show a loss in their latest accounts. Overall impression is that the industry is reasonably resistant, despite the recession.

The companies reviewed included 128 private companies and nine quoted companies. Data extracted from each company's accounts for the past two years includes sales, exports, pre-tax profits, employees, wagebill, net fixed assets, current assets, current liabilities, bank borrowings and ownership categories.

Jordan says that the survey should be useful to management seeking to measure corporate performance, find acquisitions and generally keep informed on the industry.

Copies, at £25, from Jordan Dataquest, 47 Brunswick Place, London N1 6SE (01-253 3030).

Tarmac gets £3½m. Oman contract

SERVICES FOR the Oman culverts and road works. A considerable amount of rock blasting will have to be carried out to make cuttings along 2 km of road and rock will also have to be dealt with in 12 km of trenches which will have to be dug to depths of 3 metres. The contract is due for completion in April, 1978.

Water distribution and sewerage systems are called for as well as electricity substations and distribution services.

Reclaiming the land

A. F. BUDGE (Contractors) has been awarded a £2.28m. contract for stage three, phase two of the Peterborough Land Reclamation Scheme by the Central Electricity Generating Board, Midlands Region.

The site is part of the worked-out clay pits in the Fletton area which the CEGB is converting into settling ponds for the pulverised fuel ash produced by the coal-fired power stations in the East Midlands. Budge will be required to move over 4m. cubic metres of material to form embankments and pits. The embankments will be 100 metres wide at the base and up to 20 metres deep. In general, the bottom two-thirds of the embankment will be formed from Oxford Clay already on site and the top third will include calow - the overburden rejected by the brick works.

This contract is part of a scheme by the CEGB which has appointed Merz and McLellan consulting engineers to reclaim some of the 1,000 acres of derelict land from which Oxford sludge since 1881. The displaced pits must first be turned into settling ponds for pulverised fuel ash. The ash is transported from the power station in "merry-go-round" trains. On arrival, it is blown out of the 21-ton wagons and mixed with water to form a slurry which is then pumped into a number of pits.

When each pit becomes full, it is allowed to drain dry until it can take the weight of a tracked vehicle.

The final operation will be top soiling. This is obtained from the local sugar beet factory and is the fertile soil washed off the sugar beet. The land is then returned to agricultural use.

£5m. road in Nigeria

THE GOVERNMENT of Bauchi state, Nigeria, has awarded a contract for the construction of a road between Magana and Guman to George Wimpey and Company (Nigeria).

This contract is worth about £5m. and covers construction of 25 km. of 7.3 metre carriageway road, with 2.35 metre hard shoulders.

The road, designed by Ove Arup and Partners (Nigeria) in conjunction with the State Ministry of Works and Survey includes two bridges over major rivers is due for completion in 18 months.

Back in the U.K. Wimpey has won a £1.4m. contract from the London Borough of Bexley for the construction of 100 dwellings in Maxine Road, Crayford.

The services to be installed at a cost of £94m. include full air conditioning, ventilation, water and sanitation; electrical power and lighting; sprinkler fire protection and a central alarm surveillance system. Contractors on this page on May 2, G and T Construction, a Dubai-based company, in which Tarmac International has an interest, is the main contractor.

CROWN HOUSE Engineering is to install electrical and mechanical services at the Al Ghurair Centre, Dubai.

The services to be installed at a cost of £94m. include full air conditioning, ventilation, water and sanitation; electrical power and lighting; sprinkler fire protection and a central alarm surveillance system. Contractors on this page on May 2, G and T Construction, a Dubai-based company, in which Tarmac International has an interest, is the main contractor.

GK TorBar
IT WELDS WELL without loss of tensile strength.
GKN (South Wales) Castles Works, Cardiff. Tel: 0223-33033. Telex: 4823

Big water supply project

THE KADUNA State Water Board of the Federal Republic of Nigeria has appointed J.C. Consulting Engineers (Nigeria) to prepare a water supply master plan for the State.

The plan is to cover the entire state of Kaduna with the exception of a relatively small part of the north-eastern Emirate of Katsina. It will embrace an area measuring 500 km north to south, and 300 km east to west, and is aimed at providing the supply of drinking water for the entire population.

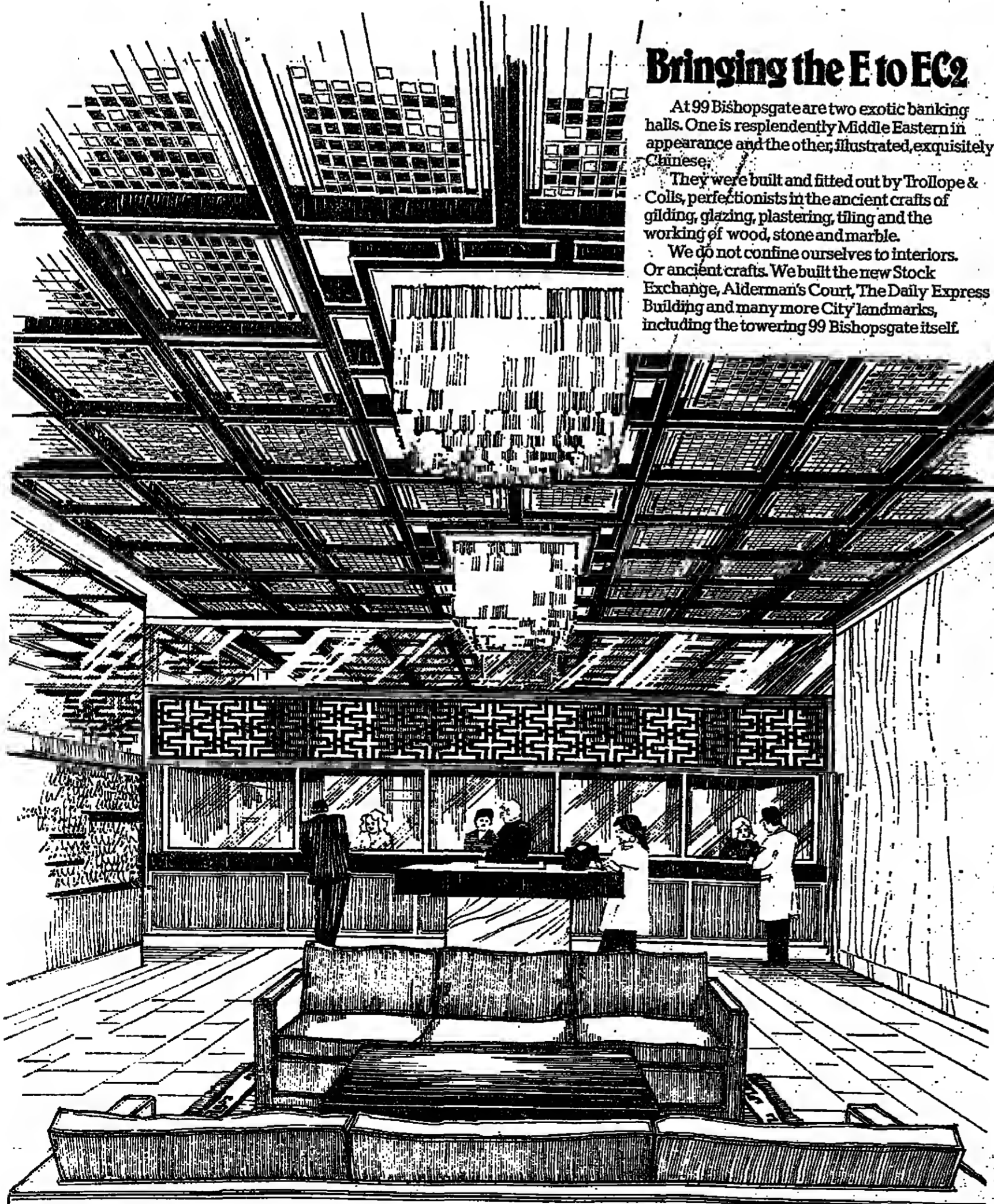
Taking the elevator for the builder

AN ORDER for the supply of 450 floating piston bearings, 230 rubber laminated bearings for the Cromarty Frigate has been secured by a mobile conveyor.

The bridge, which was commissioned by the Scottish Development Department, line dates from 1968 and will carry the A9 trunk road over the Cromarty Frith and on to Hereford, HR4 0BB (0432 55401). Powered by a Lister, LTD Black 15c.

IN BRIEF

- London Borough of Lewisham has awarded a contract worth £1.4m. to J. Lovell (Lan-Don) for housing at Silverdale Road, London, SE26.
- Davies, Middleton and Davies, a member of the J. Cartwright Group, has been awarded two contracts worth about £190,000. The larger is from Shoreham Port Authority for the design and construction of a sheet piling wall. At Iron Acton, Avon, for the CEGB the company is to construct retaining concrete foundations and erect precast structures in a substation.
- O. C. Summers has won contracts worth £31m. from the British Gas Corporation for the maintenance of pipelines in the North Thames Region and for laying mains in the South Eastern Region.
- Reorganisation of the marketing activities of Thames Ply-wood Manufacturers has led to the formation of a wholly-owned subsidiary company to sell architectural specification products to the building industry. Called Overseas Containers and its sister company, Associated Con-
- tinuer Transportation (Australia) has awarded a contract worth £495,000. In under ten weeks Mathew Hall Engineering had completed the shut-down for major overhaul of one of the largest Erie cranes in the world - Esso, Fawley. The job, valued at £4m. and employing 1000 operatives and 100 management and supervisory staff.
- Henry Boot Construction has won a contract worth over £2m. for 315 dwellings at Lee Vale, Cheshunt, Herts., for the Greater London Council.
- Costain Renovations has been awarded two contracts worth a total of £500,000 by Prudential Assurance Company for refurbishment of Chronicle House, Fleet Street, London. EC4A and an extension to West-Bishops House, High, EC3A London.
- The last caisson for the Dudley dock being built by J. Costain-Taylor Woodrow. Jo Venture worth £10m. contract has been allocated 22 weeks ahead of schedule and is now position.



Bringing the E to EC2

At 99 Bishopsgate are two exotic banking halls. One is resplendently Middle Eastern in appearance and the other, illustrated, exquisitely Chinese.

They were built and fitted out by Trollope & Colls, perfectionists in the ancient crafts of gilding, glazing, plastering, filing and the working of wood, stone and marble.

We do not confine ourselves to interiors. Or ancient crafts. We built the new Stock Exchange, Alderman's Court, The Daily Express Building and many more City landmarks, including the towering 99 Bishopsgate itself.

TROLLOPE & COLLS
Trocoll House, 25 Christopher Street, London EC2
Tel: 01-247 7666.

Good morning buyers

Britain's biggest exhibition of domestic electrical appliances welcomes you

From today and until Friday the National Exhibition Centre, Birmingham, hosts IDEA - the annual International Domestic Electrical Appliances Trade Fair - the major UK showcase for British and foreign made products.

184 manufacturers and importers are showing the latest in fridges, freezers, ovens, cookers, food mixers, washing machines, dryers, floor care appliances, dishwashers, heating appliances, beauty care products and electrical components.

If you are in the market for buying or supplying for the home market or abroad, you should be in Birmingham this week.



The International Domestic Electrical Appliances Trade Fair
National Exhibition Centre Birmingham
22-27 May

Open 09.30 - 18.00 hrs daily Admission Free

Sponsored by AMDEA - the Association of Manufacturers of Domestic Electrical Appliances.
Organised by Monbuild Ltd, 11 Manchester Square, London W1M 5AB. Tel: 01-486 1951.

Were position your business

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

MANAGEMENT TECHNIQUES

BY MICHAEL DIXON

Don't let your apprentice fool you with sorcery

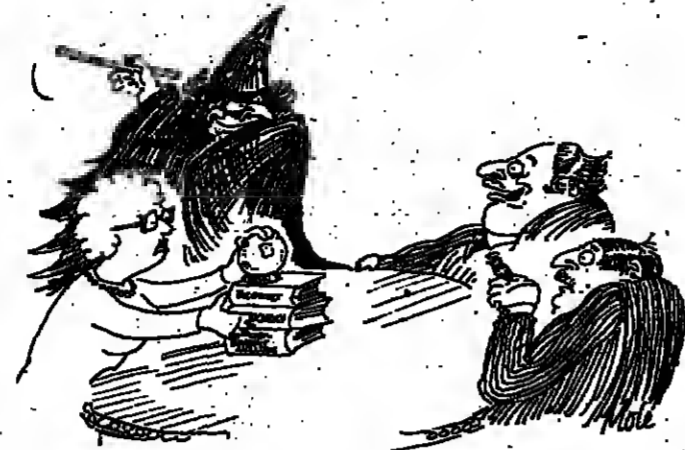
ED FURTIVELY to a company, a management school professor was con- by the entire Board and by the chairman how he could start a course in new management tech- The academic said a umme for middle man- could be set up almost dately, but if more senior tives were involved be want a while longer for ration. There was an awk- pause before the chairman d: "You mistake me. The would be solely for us Board. We would not our subordinates to re skills beyond their res- ities."

en the professor told me a event soon after it red in the 1960s, he cited a prime example of the tingly selfish attitude of "old men" of British esa towards enlightened gerial practices. The tors plainly viewed new uiques as a kind of sorcery which they could defend comfortable supremacy ist more capable char- ers below and outside. He ad that the Board's sub- erent surrender to an inious takeover drew the lect moral. Enlightenment only should, but would, all.

Old guard

he moral is holding good ay. Mathematical devices for ning the normal managerial cess of choosing between erent courses of action seem be more and more regarded science, rather than sorcery. old guard may not under- ad them—not even the rela- sly simple discounted cash v calculations, let alone the mistications of cost-benefit ysis and operational rech. But they are coming to ept their validity when ap- ed by the new men.

The key question is whether s largely uncomprehending eptance of the conclusions eated by sophisticated tech- ues results in general an- tement. After all, the re- se could equally well be true. While the techniques can re- e the choice between dif- ent capital-investment pro- ts and suchlike, there is grow- complaint among the- tiated that the way they are tually used is often no less floating and selfish than the itude of the falling directors ed earlier. Indeed, George em of International Com- iters recently suggested in the perational Research Quarterly obscure techniques of appraisal ch as cost-benefit analysis and the various glosses these ere widely applied by maoo- ut on the different choices of ers for the main purpose of- bting their own way by blind-



he says, he's our new operational researcher!

made on sensitive problems," he numerical scale. The result would have been a comparison showing that one site would probably be 1 per cent. more operational research and management-science techniques, which hide the basic issues at hand and tend to support the status quo based on piecemeal decisions already made by the bureaucracy."

The relevance of this warning to Britain is evident in George Stern's example of the cost-benefit analyses produced for the Ministry of Transport's notly disputed plan to widen the Archway Road in north London, and for the Roskill Report on the siting of a third London airport.

The Archway analysis represented the road-widening as the cheapest course available, be said, but only because of ques- tionable and hidden assump- tions which, among other things, disproportionately valued the interests of people travelling through the area in cars.

Arbitrary

The Roskill analysis, be implied, was perhaps less tudentious but more confus- ing, in that it purported to put money values not only on the costs of building and suchlike, but also on noise and residential conditions in the different localities. The 20 different cost factors divined by this largely arbitrary exercise were then further clouded, before being offered to the judgment of the lay public, by expressing them in terms of the extent to which they deviated from the appropriate figure for the cheapest site. "This is misleading as apparently large deviations are often a tiny fraction of the absolute figure," George Stern said.

The main issues of the choice would have been clearer—and the £1.1m. cost of the Roskill Commission lower—had simpler methods been used. These would have evaluated factors such as noise — which cannot be reliably reckoned in terms of money — on a straightforward

CODE TO LITERACY

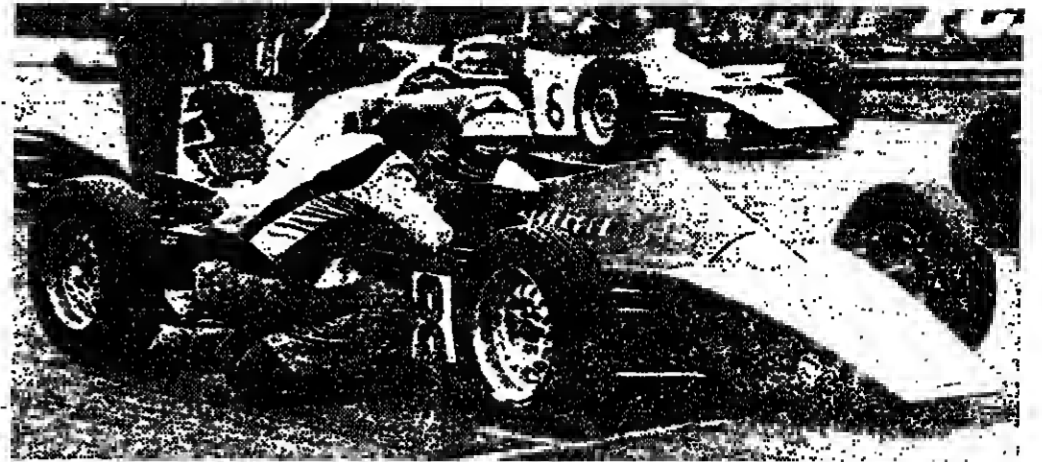
We're surprised there wasn't more clamour Over last week's spelling of grammar. Were you loath to attack? Or is it a fact? That your spelling's is need money — on a straightforward

Racing out of redundancy

BY SUE CAMERON

TWO MEN who first met while on a Government course for redundant executives have now set up a formulae racing car business that is expected to earn £70,000 in export sales by the end of its first year of trading.

The two are Alan Weller, aged 42, and Brian Hampshair, 38, who both found themselves jobless in the autumn of 1975. Mr. Weller had worked in the telecommunications industry for 17 years while Mr. Hampshair had been the production manager of a small racing car manufacturing company. The idea of starting afresh with a formula car company of their own came from Mr. Hampshair.



Liquidity

The money came from Mr. Weller who had some cash in hand after selling his 14-room house in Scotland and moving to a semi-detached in the South. The move had been made at the behest of his former employer—just before its liquidity problems had forced it to make Mr. Weller redundant.

Mr. Hampshair and Mr. Weller tried to increase their start-up capital by borrowing but found it impossible. The two are now hitting critical of the way that some financial institutions refuse to support small, entrepreneurial ventures.

They say that one government body did offer to help them on a pound for pound basis but only if it could see examples of the hardware they were plan-

ning to produce. The pair ferent formula. Normally a To date the company has built therefore went away and spent their capital on plant so that on to the next formula has to they could provide the required hardware. The institution was buy a completely new model. But a driver who wants to go in a Formula Ford 1600 to a match cash for cash and in this time Hampshair and Weller had no cash to put up.

They therefore decided to manage on what they had and started their company in a 200 square feet corner of someone else's workshop in July, last year. They called the company Saracen Engineering and the Formula Ford car that they developed during the winter months is also called a Saracen.

The prototype was designed with the help of Mr. Hampshair's brother, Peter, an experienced racing car designer.

A significant feature of the Saracen range of cars is that they can be converted to a dif-

ferent formula. Normally a racing driver who wants to move on to the next formula has to sell his car — at a loss — and buy a completely new model. But a driver who wants to go in a Formula Ford 1600 to a match cash for cash and in this time Hampshair and Weller had no cash to put up.

They therefore decided to manage on what they had and started their company in a 200 square feet corner of someone else's workshop in July, last year. They called the company Saracen Engineering and the Formula Ford car that they developed during the winter months is also called a Saracen.

To date the company has built and sold six cars and it is using the money from sales to generate working capital. Full-scale production started only in January when an advertisement in a U.S. motor racing paper led to inquiries from an American dealer who has now been appointed as the Saracen distributor in the U.S. The first Saracen car to go to America won first prize at a motor racing show in Seattle.

Saracen Engineering has also appointed a Swiss distributor to cover Austria, Italy and West Germany as well as Switzerland itself. Mr. Weller and Mr. Hampshair have now moved to larger premises at Wrnham Hill, in Kent, and they are planning to develop larger cars and to develop a team car of their own. They are hoping they will be able to find a sponsor for a team car.

Versatile virtues of a company manual

ANY ORGANISATION that employs more than a handful of people needs some form of company manual, according to a booklet on manuals that has just been published by the British Institute of Management.

The booklet, called Preparing an Organisation Manual, says a company probably requires a manual if it finds that staff complain that they do not know what is going on or that they receive too many written and

verbal instructions. If systems fall down when key people are absent, if each department "does its own thing in its own way with almost complete disregard for the rest of the organisation," or if staff misuse their authority or try to create a mystique about their jobs.

The booklet points out that a company which decides to compile a manual will be forced to ask itself some pertinent questions about current procedures. "Its compilation is almost

bound to throw up duplicated or unnecessary tasks and overlapping responsibilities," and the "opportunity to tidy up systems and procedures may well turn out to more than justify the cost of preparing a manual."

Preparing An Organisation Manual; by J. C. Morrell; British Institute of Management Publications Department, Management House, Parker Street, London WC2B 5PT; £4.85 (including postage).

Why the Post Room should be on the agenda of your next Board Meeting.

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 2. Are you paying agents to do what the Post Office would help you to do for nothing?
 3. Could you cut down on transport?
 4. Is your post room as efficiently organised and equipped as it could be?
 5. Could the post room play a more effective part in your marketing operation — at home and abroad?
 6. Do you pay more postage than necessary?

The information that follows may suggest thought-provoking possibilities. There is also a film entitled "The great mail room mystery" which is available on loan.

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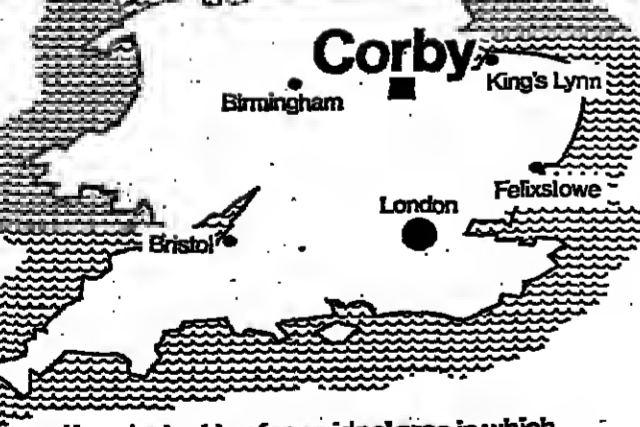
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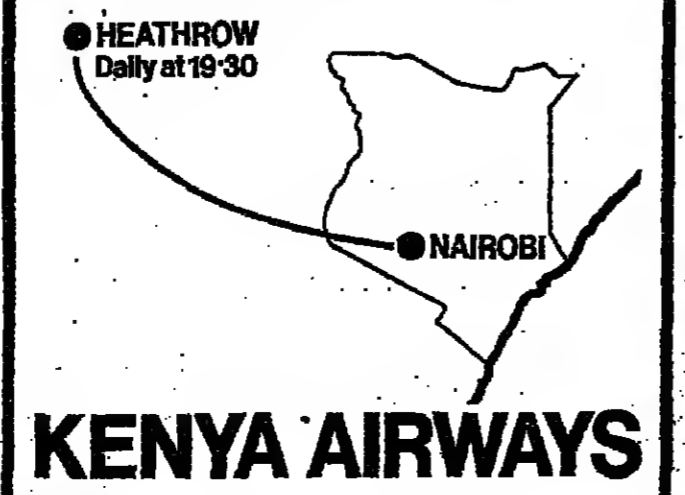
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MONDAY, MAY 23, 1977

Realities of exporting

AT A TIME when British Leyland urgently needs to rebuild morale among its own employees and among its dealers and customers, it has become embroiled in a new controversy over the methods used to secure hard-earned overseas contracts.

Middlemen

In this atmosphere of moral indignation it is easy to lose sight of the realities which govern the way exporters conduct their affairs. In many parts of the world the securing of contracts involves payments in middlemen and assumed "fixers" who are in a position of influence, directly or indirectly, the placing of the order.

Most Western businessmen find this system morally distasteful, but if they wish to participate in the markets concerned—which may represent a large proportion of their potential export sales—they have to follow the local customs.

Britain goes back in the dock

SINCE AGAIN the British Government is in direct conflict with the rest of the European Community over an agricultural question—this time over pig subsidies, the European Court gave an interim judgment on Saturday that the special subsidy paid to British pig farmers since last January should cease forthwith.

Butter price

The dispute over pig subsidies, however, is only one more illustration of two much wider points. The first is that the British approach to agricultural policy is bringing Britain into disrepute in the rest of the Community, and the second is that the agricultural policy is bringing the Community into disrepute in Britain.

On all of these issues, it is possible to argue that Britain has a case. What is becoming impossible to argue, however, is that the case is being well put.

CREDIT SUISSE

THE Chiasso banking scandal, which has already caused the resignations of two top executives at Credit Suisse, has far-reaching political and diplomatic consequences.

ITS POSITION as a financial centre has brought Switzerland not only advantages but also occasional difficulties and will do so again in the future.

It is that funds invested by the Chiasso branch of Credit Suisse on behalf of some 1,000 clients—fiduciary funds in Swiss banking jargon—were fed to a Liechtenstein holding company, Texco-Fioanstanald.

The Chiasso branch, without the knowledge of head office, granted guarantees totalling some Sw.Frs.1.5bn. (£230m.) of which Sw.Frs.350m. (£50m.) covered Italian bank credits to Texco affiliates and the remainder was given on the fiduciary accounts themselves.

The extent of the actual loss to the bank will depend on the realisation value of the assets of the companies in which Texco invested, on the extent to which the Sw.Frs.1.5bn. guarantees were given to bona fide customers and on the extent to which losses accrue in addition to the guarantees.

In order to get an idea of the dimensions of this affair it is worth noting that Bank of America made loan loss provisions of \$147m. (Sw.Frs.367m.) for the whole of 1976, and incurred actual losses of only \$119m. (Sw.Frs.300m.).

These are the bare bones of an affair which has already had far-reaching personal, governmental, political and even diplomatic consequences.

Wide repercussions of the Crédit Suisse scandal

BY JOHN WICKS in Zurich

meeting in order "to bear his share of the responsibility." Ripples have spread outside the bank's Boardroom. Credit Suisse's new chairman, Dr. Oswald Aepli, this month withdrew his nomination for the traditional seat held by the bank on the Boards of Sulzer Brothers and Ciba-Geigy, two of Switzerland's biggest industrial concerns.

The head office of Credit Suisse looked into relations between the Chiasso branch and Texon in 1969—it had known of a business connection with the Vaduz company since 1963—after a fiscal inspection had shown a fine on guarantees granted for funds forwarded to Texon by the branch.

These are the bare bones of an affair which has already had far-reaching personal, governmental, political and even diplomatic consequences.

At the same time, an old idea which until now has never seemed topical has been revived with every change of realisation. This is the creation by the National Bank and the Banking Commission of an official "fire-brigade" auditing team for use in emergencies.

Political repercussions also came rather unexpectedly, in the Liechtenstein Parliament. The Principality's politicians held a very atypical debate in the Vaduz "Landtag".

So although supply of Swiss financial and banking services will probably remain large intact, at least for "serious" business, foreign demand will be hardy on growing.

What did the dragon say as St. George drew his sword? "Mither said there would be knights like this."

while the Federal Tax Administration is working on proceedings connected with withholding tax. The Ticino cantonal authorities will probably take over prosecution of Texon, which was administered from Chiasso and by Credit Suisse staff in spite of its Liechtenstein domicile and which the Banking Commission claims worked as a quasi-bank.

Unlike some politicians, the civil servants of the Banking Commission, the National Bank and the Ministry of Finance—do not consider new law necessary. But all agree that they want better application of existing regulations.

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internal auditors from management. The National Bank, which was working towards what it calls a "de-mystification" of Swiss banking long before the Chiasso business came up, is interested in the same questions as the Commission—and in others. Should fiduciary accounts in Switzerland not part of bank balances, be published, Bank President Dr. Fritz Leutwiler wondered aloud at a Press conference in late April.

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foreign exchange control. And the Social Democratic Party's monetary faction even went as far as to hint that a continuation of the customs and currency union with the Principality should be reviewed.

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MEN AND MATTERS

Excursion to Leeds Castle

There was much hulloho in the Foreign Office last week about how the security precautions at the informal week-end gathering of EEC Foreign Ministers at Leeds Castle, near Maidstone, were among the tightest taken at any European Community meeting.

Odd man out

As their contribution to Britain's industrial re-generation the nation's brewers, working closely with the National Economic Development Office, have just come out with a plan which sets substantial investment targets, projects a doubling of beer exports over the next five years and aims at raising efficiency in the distribution system.



Getting prepared for the Commonwealth Conference

Drake in Ulster

is alive and well, and has been temporarily residing in Ulster. For if now transpires that British troops, while waiting on standby outside Belfast for the call to man the power stations and maintain essential services, used their time and skills on a project which Drake would have thoroughly approved.

The 1,000 MACM (Military Aid to Civil Missions) troops, drawn from all three Services, had been rushed to Northern Ireland, during the recent Loyalist general strike to a well-rehearsed "ed alert" operation that took only three days. Many of them dropped duties in far-away postings and one Royal Navy Lieutenant-Commander with invaluable knowledge of turbines was reputedly lifted by helicopter off his nuclear submarine in mid-Atlantic.

At last

What did the dragon say as St. George drew his sword? "Mither said there would be knights like this."

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FINANCIAL TIMES SURVEY

Monday May 23 1977

Finance for smaller companies

entrepreneur. *āntr'prənör* One who undertakes an enterprise; one who owns and manages a business, a person who takes the risk of profit or loss.

See OXFORD ENGLISH DICTIONARY. Kind permission Oxford University Press.

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FINANCE FOR SMALLER COMPANIES II

Ever since some decades ago the MacMillan "gap" identified areas of corporate finance where the smaller company seemed to lose out, there has been continuing debate about the problem. Nowadays there are many more governmental and private sources seeking to close that gap, but bridging seems by no means complete.

Widening range of facilities

IT IS IRONIC that following a period of recession when the death rate among smaller companies has been higher than the birth rate that there should be probably more financial facilities available to this section of the business community than there were several years ago. There is probably no one answer for this situation, but of course a major factor may well be that any financial institution has to make money out of lending money and if it finds there are no takers for one form of cash, may decide that perhaps there will be if it puts it together in a different package.

There have been a number of announcements in the past two or three years of yet another financial organisation or package being set up to "fill the gap" to facilities available to the smaller company. But one does not have to go far to find a small company or somebody with a "great idea" needing financial backing who will be only too ready to mean about how impossible it is to get the money he needs.

The reality of the situation is that there are now probably plenty of organisations available to provide small companies with money. There remains, however, a gap in communications between those financial organisations and their potential customers and there will always be another element—the inability of an individual to agree with his bank or other financing organisation ever what are fair terms for finance.

Awareness

One major advantage which smaller companies have going for them now is a much greater awareness of the importance of their role. It was not so very long ago that the "big is beautiful" philosophy was in the ascendant, but a counter "small is beautiful" lobby has been registering successes, although it would be unfortunate

if "small" found so much favour that "big" came under constant attack. For it seems that in today's industrial set-up the big league companies need the small ones and vice-versa and a realisation of this can only bode well for the financial stability of smaller companies. Only recently, Technical Development Capital, which is the venture capital arm of the Industrial and Commercial Finance Corporation, revealed that it has approached a number of large industrial companies with a view to establishing joint ventures for the exploitation of new projects which might otherwise be abandoned by large companies. Then again, a seminar organised by IBM (U.K.) and the Urban and Economic Development Group held just over two months ago came out with the strong recommendation that large private and public institutions must change their policies if opportunities to enable small enterprises to flourish were to be realised.

Lord Seeborn, who is chairman of ICFC, also told the same seminar that the future success of small companies would depend on the interplay of entrepreneurship and technical competence, on the one hand, and external factors such as the deliberate policies of public and private organisations on the other. Certainly the Government appears to be more aware of late of the needs of smaller companies, although many of that ilk would say that if the Government were to do anything positive to help them it should first be to cut back on the amount of form-filling and legislation which impinges on their daily lives rather than to take any steps such as introducing a different tax structure to improve their financial situation directly. But while there is a general assertion from the financial community that they can provide

for the needs of smaller companies and while new types of financing or institution have indeed been emerging, there seems to be a widespread view among a cross-section of banks and other institutions that very little take-up of available finance has taken place for the last two years. The cost of money has for many been prohibitive and with a general retrenchment of trading activity working capital requirements have been cut back as far as possible, with de-stocking releasing money.

This may not be the case for much longer. One of two false dawns have been seen, but ICFC, some of the clearing banks and others such as the Charterhouse Group have noticed a definite upturn in inquiries among smaller companies for new finance in recent weeks.

Prominent

It is too early to discern what sort of funds are needed, but extra working capital is likely to be among the more prominent demands. Another source which may well arise is as companies seek to expand their capital bases for a variety of reasons, not least to compensate for the effects of inflation. At the same time there have been one or two pointers suggesting that if not a resurgence then at least some movement may be seen in the number of start-ups of new projects.

For those seeking capital to get a company under way the most likely provider of cash will be one of the major clearing banks. Overdrafts are probably the most common form of cash with which to get under way, but comprise "seed" capital rather than "venture" capital. An everdraft for such purposes will normally be secured on some assets, such as the company-owner's house, which means that the bank's risk is very limited. It is when the business has

got going and reached a point that requires some more solid capital, probably medium-term, that the company owner's problems may appear, since in attempting to get further money he will have to persuade the bank or whoever that the business itself is worth a loan. He may then approach an organisation such as ICFC, Gresham Lion, the National Research Development Corporation or the newly-created Equity Capital for Industry. Or, if there is a record of a few years' profitable trading with good potential ahead, others like Charterhouse, Gresham Trust or one of the merchant banks may come up with cash. Almost certainly they will want

not only an equity stake in exchange for their cash but also some say in management. The money will be medium-term, although in certain instances it could be long-term.

But generally these financial institutions will be thinking of a five to seven-year investment before they realise a profit. Normally, as in the last bull market, they would expect to bring a company on till it went public, although their plans in that direction have taken a hard knock in the past few years.

It is an interesting thought so far as venture capital is concerned that while the number of organisations that provide it may come up with cash, have been increasing (in theory) almost certainly they will want

that claim to be venture capitalists really are is another matter) one very traditional source has been in decline for many years. This is family and with investments ranging from a very widely in size, unusually great number of small companies get off the ground with the help of some friendly uncle or aunt, taxation and other factors have eroded this source. At the same time inflation and taxation have made it extremely difficult for anybody to set themselves a target of saving sufficient cash over, say, five years to set themselves up and finance the first critical 18 months or so of a new venture. There are many other sources of cash for the smaller com-

pany, one of the more unorthodox being the Small Business Capital Fund, backed by the Co-operative Insurance Society and with investments ranging from a very widely in size, unusually great number of small companies get off the ground with the help of some friendly uncle or aunt, taxation and other factors have eroded this source. At the same time inflation and taxation have made it extremely difficult for anybody to set themselves a target of saving sufficient cash over, say, five years to set themselves up and finance the first critical 18 months or so of a new venture. There are many other sources of cash for the smaller com-

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Overall, it seems fairly safe to say that the majority of financing institutions have sufficient resources to fund any resurgence in demand. As always, however, the difficulty will be to match particular demands with the right specialist source.

Nicholas Leslie

Government trying to help

THE GOVERNMENT appears to be quite proud of all the many schemes or changes it has been introducing lately with a view to helping smaller businesses. Indeed, Ministers have been so active on this flank in the past year or so that it is not surprising that they should feel that their efforts demonstrate not merely a deep-felt concern but a desire to be constructively helpful.

In the field of taxation, for example, changes were made last year so as to moderate the impact of Capital Transfer Tax on the smaller business, and changes have been made both this year and last to the "small company" rate of Corporation Tax. In the case of Government financial assistance, the qualifying level for some of the schemes provided under section 8 of the Industry Act, 1972, has

been modified in favour of the smaller company, an entirely new Small Firms Employment Subsidy has been introduced with a view to inducing small firms to create extra jobs; and grants are being offered to help pay for feasibility studies in possible forms of collaboration between small companies.

If advice is what small companies need, then two more advisory or counselling schemes have been added to the extensive range of information and advisory facilities already available to the small business. In the area of training facilities, the Training Services Agency has been asked to look into the question of management training for small businessmen and the self-employed.

All this may seem fine. But the trouble is that to most small businessmen all these schemes totally miss the point. They are regarded, at best, as tinkering and, at worst, as positively irrelevant. The basic problem was well put by Mr. Graham Banock, the former research director of the Bolton Committee and now managing director of the Economists Advisory Group, in his recent comparative study of the small company sector in Britain and in West Germany. He concluded that the environment facing small businesses in this country was the most hostile among all advanced market economies.

This is no exaggeration. The sad truth is that small businesses in this country tend to be treated more harshly and to be afforded less Government assistance—or even consideration—than the big battalions. Most laws tend to be drawn up with, if anyone, the big companies in mind. This was seen most recently in the Employment Protection Act. It has also been evident in the administrative arrangements made for most of the industrial assistance schemes provided under section 8 of the Industry Act—where it would obviously have been much more preferable if the administrative arrangements smaller firm had not been

originally made (and still being practised) for Value Added Tax, er—the go back earlier still—in the Business Statistics Act. The same lack of regard is just as evident at local level—as is now being more widely recognised—most notably, perhaps, in a speech earlier this year by the Prime Minister. In this sector the main culprit has been the planning system and in particular the fashion for comprehensive re-development which has held such strong sway in the older urban areas.

Misfortune

Over a large part of the country comprehensive redevelopment has been positively fatal to many of the companies which had the misfortune to be caught up in such schemes. Even when companies have been able to open up in a new location not all that far away from their original market, it is often the case that relatively few have managed to survive for very long. Yet as other recent studies in Manchester, London and elsewhere have shown, most of the jobs which the inner city areas have lost in the past 20 to 25 years have gone because of the disappearance (or, more specifically, the death) of the small one-plant business.

Mr. Peter Shore, the Secretary of State for the Environment, is now asking local authorities to pay special attention to the role of the smaller business in urban areas and to lure them back. In the meantime, a group of businessmen, led by Lord Seeborn, the chairman of Finance for Industry, has made a study of ways in which the return of a flourishing small business sector in inner city areas might be encouraged in the future and it has been discussing the possibility of a pilot exercise with the local authorities in Southwark in London. Even so, it would obviously have been much more preferable if the administrative arrangements smaller firm had not been

allowed—or in some instances forced—to die in the first place. It is in the field of taxation, however, that governments seem to have been most oblivious—or at least inconsiderate—of the needs of the smaller business. David Howell, MP, one of the Conservative front-bench spokesmen on Treasury affairs, put the point rather well when he argued earlier this year that fiscal policies had been conceived in almost the reverse way to that which should have been adopted. "Instead of producing a full-blown new system of capital taxation and then running around in circles making 'concessions' for smaller businesses, the aim should have been to devise a system innately favourable to small business seeding and growth, and then to worry about the impact upon everybody else."

Mr. Howell was of course alluding to last year's changes in Capital Transfer Tax. Mr. Denis Healey, the Chancellor of the Exchequer, brought in a rule permitting a 30 per cent discount on the value of a business attracting Capital Transfer Tax where the transfer related to a sole proprietor's or partner's unquoted shareholding in a company. In the case of agricultural land farmed by the full-time working farmer, the discount was set at 50 per cent. But these "concessions" were merely designed to make good some of the more damaging features of the original legislation. It would have been far better if the dangers had been avoided in the first place.

Capital Transfer Tax is, however, only one—albeit the most recent—instance where the tax system has been having a penal effect upon the smaller business. VAT is widely regarded as one of the bêtes noires of the smaller businessman but it is the paperwork involved in this particular tax—rather than its fiscal incidence which attracts criticism. The main fiscal culprit has

been the "shortfall" provision of Corporation Tax. These provisions may have been motivated by the desire to ensure equity in a fiscal system designed to extract a very high rate of tax revenue from personal incomes. But they have also had the effect of making virtually impossible for many small businesses to plough back sufficient funds for expansion.

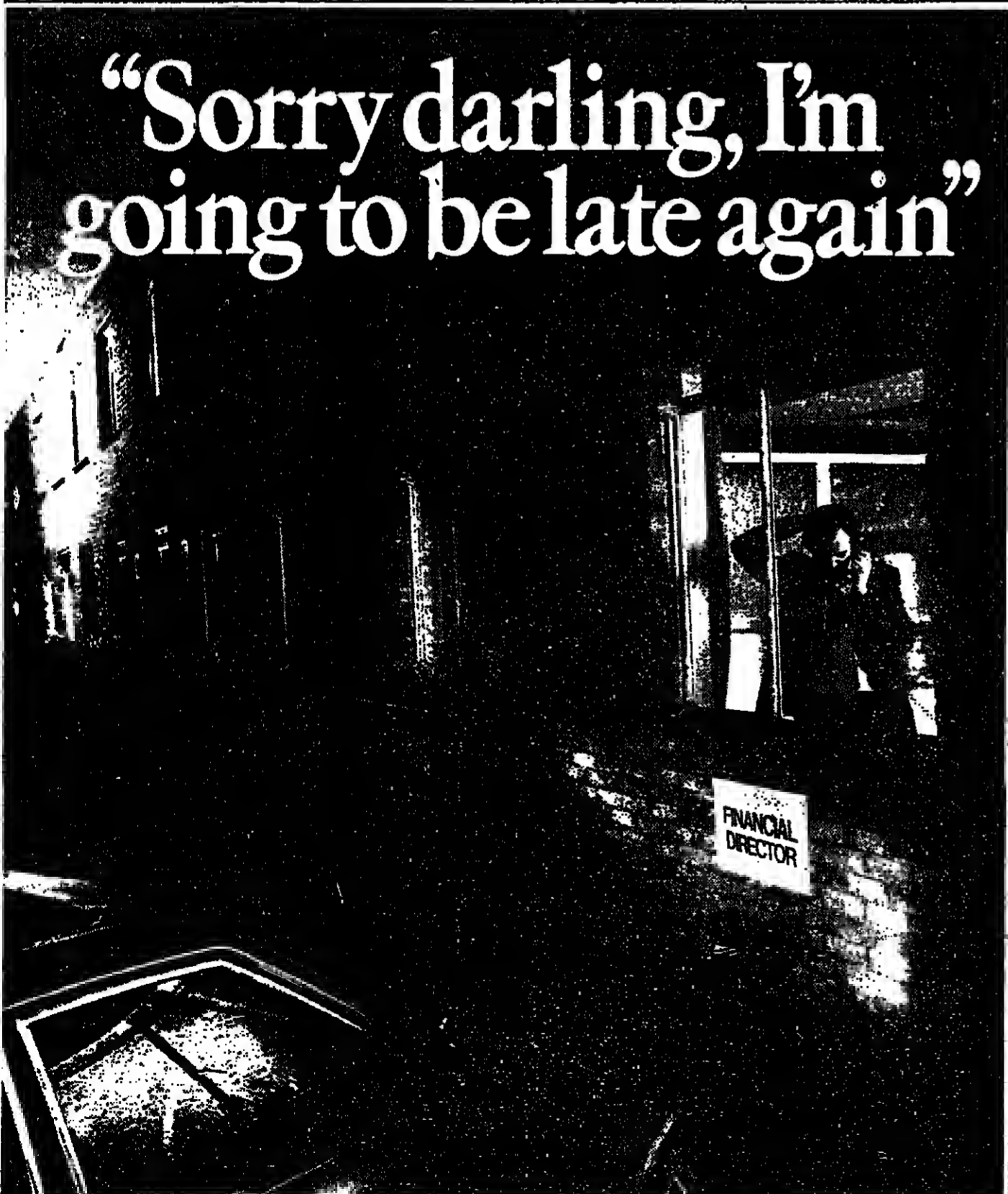
Then, as if that were not enough, the authorities have appeared in the past year or two to be pursuing what some people have described as a "vendetta" against the self-employed—for example, in the changes that have been made in the incidence of national insurance contributions and in the unperceptive and elephantine way in which the problem of the self-employed building contractor has been tackled.

Radically

It is hardly surprising, therefore, given the additional problems of recession and inflation that bankruptcies and liquidations among small businesses have been rising more or less constantly ever since 1974. On day perhaps the attitude to the small business sector in this country may radically change and the long-term downward trend in the number and importance of small firms arrested as it has been arrested for some time in many other countries.

But it will require not just tinkering, with government bringing out, say, a new advisory service for small net working companies or inviting small companies in the South West to enlist the help of "experienced businessmen identifying their business problems." For example, why is that small firms are specifically invited to tender for Government contracts in the U.S. whereas here such contracts rarely go to the small company?

Colin Jont



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Special problems in the tax field

SMALLER companies have their own very special tax problems. For the most part they are family companies and there is generally very little distinction in the minds of the owners between their personal tax position and that of the company. Indeed tax considerations may well have been the prime motivation for incorporation as a company in the first place.

When a company is controlled by a few people, possibly a family or even an individual, it would be relatively easy to avoid or minimise taxation on its profits by manipulating its affairs in ways which would be far less likely for bigger quoted companies where the directors are separated from the majority of outside shareholders.

To counteract these possibilities the tax legislation contains a whole series of special rules which must be applied in computing the tax liability of so-called "close" companies. Broadly speaking, close companies are those under the control of five or fewer persons and their associates. Associates can include close family such as the husband, wife, children, parents and brothers and sisters. A quoted company is not "close,"

however, if over 35 per cent of its shares are owned by the general public. Similarly, a U.K. subsidiary of an overseas parent company is "close" if the parent would have been "close" had it resided in the U.K. It is obvious from this that the vast majority of family and smaller companies are "close."

Avoid

There are probably three main ways in which "close" companies could avoid tax, and where special rules exist to prevent this:

1. Where profits are net paid out to shareholders, but are retained in the business in excess of the needs of the company;
 2. By disguising a distribution of profit as an expense of the business; and
 3. By disguising a distribution as a long-term loan.
- For the most part, however, the main concern is likely to be with the retention of profits in the business, and determination of the extent to which these can be distributed as salaries of the directors, or as dividends.

First, the basic rules. Before April 1973 close companies had to distribute nearly all their income to distribute nearly all their income to include interest and outside dividends, less the lower £500 or 10 per cent of the company's trading and property income. Then it is up to the company itself to argue with the Inspector of Taxes that it needs to retain the money for business purposes, including expansion. In such negotiations the Inspector is entitled to ask for details of how the money is to be spent. But as a matter of practice problems are rarely thought to arise where the company concerned is dealing in goods and expanding its business in the normal way. The most vulnerable case to which the Revenue is likely to look for dividends, according to Thomas McLintock partner, Mary Yale, is "the cash-rich non-expanding company."

Under the present imputation corporation tax system, which took effect from April 1973, the rules are slightly different. The Revenue may now apportion among shareholders the excess of a close company's "relevant income" over its actual distributions for the period, except where the excess is under £1,001 and the company is a trading concern. "Relevant income" is defined as "not more than the company's distributable investment income" plus 50 per cent of its trading and property income. "Distributable investment income" is calculated after tax and includes interest and outside dividends, less the lower £500 or 10 per cent of the company's trading and property income. Then it is up to the company itself to argue with the Inspector of Taxes that it needs to retain the money for business purposes, including expansion. In such negotiations the Inspector is entitled to ask for details of how the money is to be spent. But as a matter of practice problems are rarely thought to arise where the company concerned is dealing in goods and expanding its business in the normal way. The most vulnerable case to which the Revenue is likely to look for dividends, according to Thomas McLintock partner, Mary Yale, is "the cash-rich non-expanding company."

Investment companies, broadly defined, whose income would normally be required to distribute all their relevant income; while property investment companies are in a halfway house, being required to make some distribution. Given a choice, of course, most investment directors would prefer to have

Continued on next page

FINANCE FOR SMALLER COMPANIES III

Export backing often not fully exploited

EXPORt finance available Within these definitions it is the smaller company rather than the company which is small in size, exporting relatively small quantities of goods. It is defined—whether it is a private company or a public company—as a company that is not listed on the London Stock Exchange and has a turnover of less than £1 million.

As a result raising export finance—as with any other form of finance—is all too often a difficult task for the small exporter—to the extent that some feel that direct exports are more trouble than they are worth and opt instead for licensing deals or simply concentrate on the home market.

At the same time, however, it can be argued that those companies that do complain have in fact been very slow to take full advantage of the facilities available to them. For instance, ECGD dropped its Small Exporter Policy in 1971 because of "lack of demand."

This policy was aimed at the exporter of consumer goods and other small items whose export turnover had not yet risen above £100,000 per year. It was basically the same as ECGD's standard Comprehensive Short-Term Policy but the minimum limit was much lower. The premium was also different—it was higher—which may well be why it proved unpopular. More recently ECGD has complained that exporters are not taking advantage of the higher discretionary limits introduced over a year ago. This revolving limit, below which exporters can offer overseas buyers credit without prior approval from ECGD, was doubled to £5,000 in certain cases it can be lifted still further. But although ECGD estimates that well over a quarter of the credit applications it receives fall within this category, a large number of exporters continue to ask for credit approval when this is no longer necessary. These unnecessary applications and the administrative involved ECGD holds to be partially responsible for the bottlenecks which occur in its services as a whole and which exporters are so quick to complain about.

Insurance
In fact the type of transactions undertaken by small exporters constitutes the major portion of ECGD business—the bulk of U.K. exports is sold on short-term credit with the result that this accounted for some 85 per cent. of ECGD business last year. ECGD's main function is to provide insurance for the exporter against the risks of not being paid for his goods or services. But it also provides access to export finance at favourable interest rates which can be invaluable for the small exporter. Although cash may be the ideal form of payment, the

ability to offer credit is a necessity when competing in export markets and even with so-called cash transactions it can take a month or two before the exporter actually gets his money. However, few small companies are in a position to finance all their customers' requirements from their own resources.

The most obvious source of finance is bank overdrafts, but this is not necessarily the cheapest or the most easily available without appropriate collateral. Nor do the financial requirements end there; the exporter has to finance his production to meet the export orders. In fact the lack of pre-shipment finance, rather than export finance as such, is probably the greatest problem for the small exporter—to bridge the gap between receipt of orders and delivery and then payment for the goods.

But to gain access to finance at favourable interest rates the small exporter must first hold a comprehensive ECGD insurance policy. Even then many exporters do not find the terms sufficiently attractive. ECGD's Comprehensive Policy is designed to provide insurance against non-payment of the buyer of a volume of business on credit terms of up to six months with a Supplemental Extended Terms Guarantee available when credit is given for a longer period. Most of the exports covered are consumer goods, semi-manufactures and raw materials. Capital goods exports are covered by Specific Guarantees negotiated for each contract.

The exporter must offer for cover all or most of his export business for at least one year in both good and bad markets so that the risks are spread and, it is argued, so that ECGD can keep premium rates at a relatively low level. Premium rates vary according to four market grades and have recently been increased, but they average around 33p per £100 worth of business with a minimum premium payable of £50. This means that a company must have export business worth over £15,000 a year to make it worthwhile while many exporters reckon that it has to be above £20,000. Certainly a large volume of export business is essential since the premium has to be taken into account when calculating profit levels. For the risks that the scheme covers—ECGD is the only organisation which provides cover against political risks—and the fact that the department covers as much as 90 to 95 per cent. of the possible loss, the premium levels do not seem to have proved to be much of an obstacle. There is an added bonus that an ECGD policy gives access to the department's very extensive credit getting system, again valuable to an exporter approaching a new market. The holding of an ECGD policy in itself represents an assurance to banks, and if necessary the exporter can

assign his policy to the bank as collateral to raise short-term export finance. This system is still used widely as a means of improving an exporter's borrowing capacity. Some years ago ECGD developed this further by introducing direct Bank Guarantee schemes which an exporter, provided he has held a policy for one year, is eligible for on payment of an additional premium.

The bank guarantees are unconditional and cover 100 per cent. of the principal plus interest due to the banks on the amount outstanding. Against this the banks will advance finance to the exporter at shipment on presentation of the appropriate bill of exchange or promissory note at the preferential rate of 1 per cent. above base rate.

Credit
For financing short-term credit up to two years the premium is set at 1 per cent. of an agreed revolving limit which is generally determined by the level of the exporter's business in the preceding 12 months with allowance made for an increase in trade. The initial premium is paid in advance and then renewed annually. Since an exporter's needs may change from year to year it is important that he should review his revolving limit with a view to renegotiating it either upwards or downwards according to the level of his export business. A similar scheme is available for goods sold on credit terms of two years or more, while capital goods exports are financed through ECGD-backed buyer credits.

The small exporter can also make use of the lines of credit arranged between a U.K. bank and a foreign bank to provide finance for a number of contracts with a variety of suppliers in the U.K. so that they may be paid in cash on shipment. These lines of credit can be used to finance quite small orders—sometimes as low as £5,000.

These then are the main facilities available to companies exporting at the smaller end of the business. ECGD of course offers several other forms of assistance to the exporter, but as many small exporters are quick to point out these cater mainly for the capital goods exporter. Their minimum contract/order limit is far too high for the small exporter.

To an extent ECGD has responded to such criticism by lowering the limits. The minimum contract value eligible for cost escalation, for instance, is now £2m, but this is still far too high for many exporters. Others who may meet this limit fail to qualify because each unit in a contract involving the supply of several similar units over a period of time is less than the stipulated £500,000 minimum. Similarly the minimum contract eligible for per-

formance bond cover has been dropped to £1m, but consultants, among others, with lower contract values are still required to put up the bonds. In practice ECGD has now adopted a more flexible approach so that exporters who bother to take their problem to the department often find they are able to obtain the necessary cover.

Then again, more and more exporters may be invoicing in foreign currency but many are unable to take advantage of the potential gains to be made—dealing as they are in small amounts over short periods—by selling the currency forward on the foreign exchange market. For them the main impetus for switching out of sterling last year was an attempt to stabilise their prices at a time when currencies were fluctuating widely. Now they find themselves caught, for while sterling has stabilised externally and their prices must reflect this, their own costs are still adversely affected by domestic inflation.

But whatever the alleged shortcomings of ECGD facilities—and on the whole the small exporter's lot is little worse than that of any other exporter—by far the biggest problem remains the availability of pre-shipment finance. The clearing banks are the obvious source but unfortunately they have to take into account a company's overall overdraft position and so will not advance export finance if the company is already fully extended in financing its domestic business. This is often the case with a rapidly growing small company. ECGD does not assist with pre-shipment finance but only for contracts over £1m, and then the finance is provided at market rather than at preferential rates.

Subsidy
Many small exporters feel that the Government should step in and provide risk capital to support the smaller company attacking export markets. And while there is a growing feeling that the export effort should perhaps be stimulated upwards through the smaller companies rather than relying on the major exporters the Government would find itself in a difficult position internationally were it to be seen to be offering any direct export subsidy. There does now appear to be a greater awareness among banks, ECGD and other financial institutions in general of the small exporter's needs and the banks in particular have been making efforts to help. But if the potential exporter is to make the most of this changing mood then it is vital that he talks to the right people in ECGD and the banks or whatever at the right time—namely at the onset of negotiations with overseas buyers—and quite often this means bypassing the friendly but perhaps less well-informed local manager.

Margaret Hughes

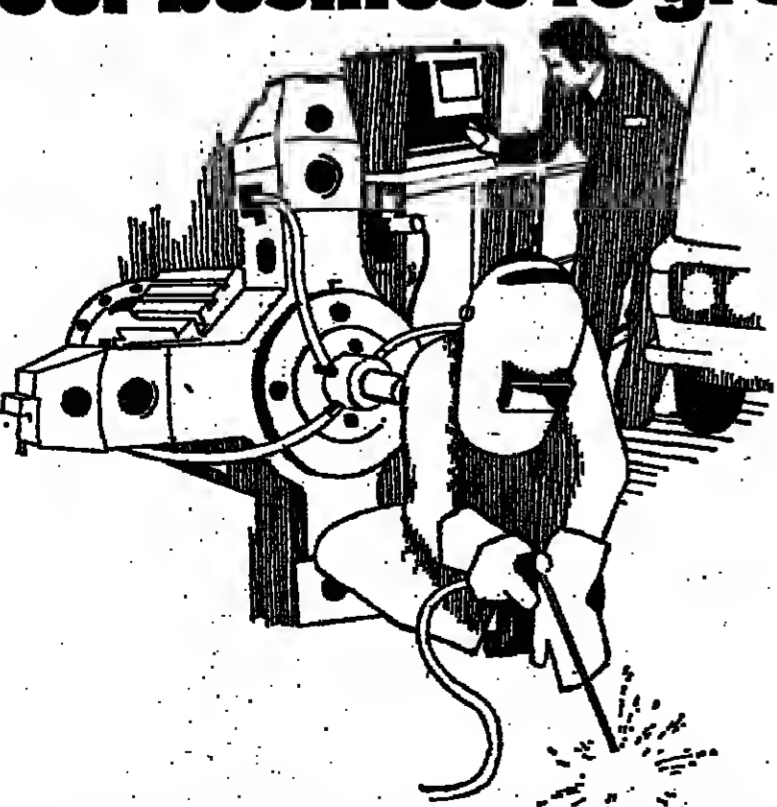
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Tax CONTINUED FROM PREVIOUS PAGE

the money distributed in higher salaries because of the advantageous tax treatment of earned income. But this raises a fairly sensitive issue, namely the extent to which small companies should and actually do adhere to the pay restrictions. The attitude of many is no doubt summed up adequately by the director who says to his company's auditor that he will follow the pay policy if the auditor can produce the relevant law. Since no such law exists the only considerations for many smaller companies will be the unlikely sanctions of the price code.

Equally sensitive, and of increasing political interest, is the whole issue of the role of accountants both as auditors and tax advisors in small companies and their directors. It could hardly be disputed, for example, that taxation is the main if not the only justification seen by many small company directors for preparation of accounts. Implicit in this is perhaps a belief of some company directors that if they have the right accountant their chances of reducing their tax liabilities are substantially enhanced.

It seems very likely that the Inland Revenue is reasonably familiar with the practices of individual accounting firms, particularly in cases of potential tax evasion. Indeed some senior tax accountants profess to have knowledge of an Inland Revenue "blacklist" and accounts submitted by firms on the list are reputedly subjected to special investigation. Whether the alleged list is official or maintained only at local level is not clear.

These and other aspects of professional tax advice are discussed at some length in a new Pelican book "To Him Who Hath," written jointly by Frank Field, Molly Meacher and Chris Fond. They conclude that there is "an urgent need for both the legal and accountancy professions to put their house in order" in respect of helping clients to avoid paying tax.

The Revenue, they say, should outline in a discussion document the growth in the tax-avoidance industry and then detail the kinds of practices, with case examples, where the legal and accountancy professions have been behaving in "an unsocial way."

They also say that the Government should "make it clear that unless the professions respond constructively to this initiative by the Revenue they will seek a public inquiry into this aspect of their work with a view to imposing new rules of conduct."

How justified these criticisms are is certainly open to dispute. This is particularly true when critics claim that any form of tax planning by individuals or companies is anti-social.

For the smaller company tax planning is in fact essential. For example, the advantages of stock relief, and avoidance as far as possible of the penal 68 per cent. marginal corporation tax rate on profits between £40,000 and £65,000, should not be ignored. Profits up to £40,000 are subject to the small company rate of 42 per cent., while profits in excess of £65,000 are taxed at the standard rate of 52 per cent.

The greatest worry of many tax accountants dealing with smaller companies is the Capital Transfer Tax. This taxes both lifetime and death transfers of property at what a senior tax official in another EEC country, which has a more liberal approach to wealth accumulation than the U.K., recently described to me "as nothing short of penal rates."

Be that as it may, many accountants claim that the threat which this tax holds for family companies has not yet even been remotely appreciated by those most affected. Indeed it seems clear that few family companies could now be expected to remain with the same family for more than one generation.

For many, however, the shocks will only come when the proprietors of the companies in which they have interests die. And as more and more people realise the unenviable position they are in with CTT the greater must be the disincentive.

As Geoffrey Vieler, a former managing director of the Post Office and current president of the London District Society of the Institute of Chartered Accountants put it: "The greatest incentive for people in small businesses is their family—CIT removes that incentive."

Michael Lafferty

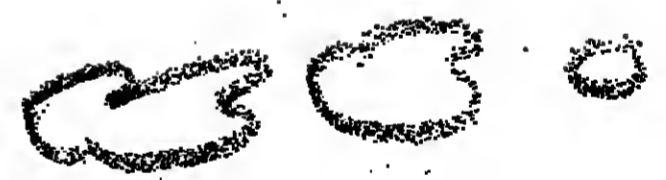
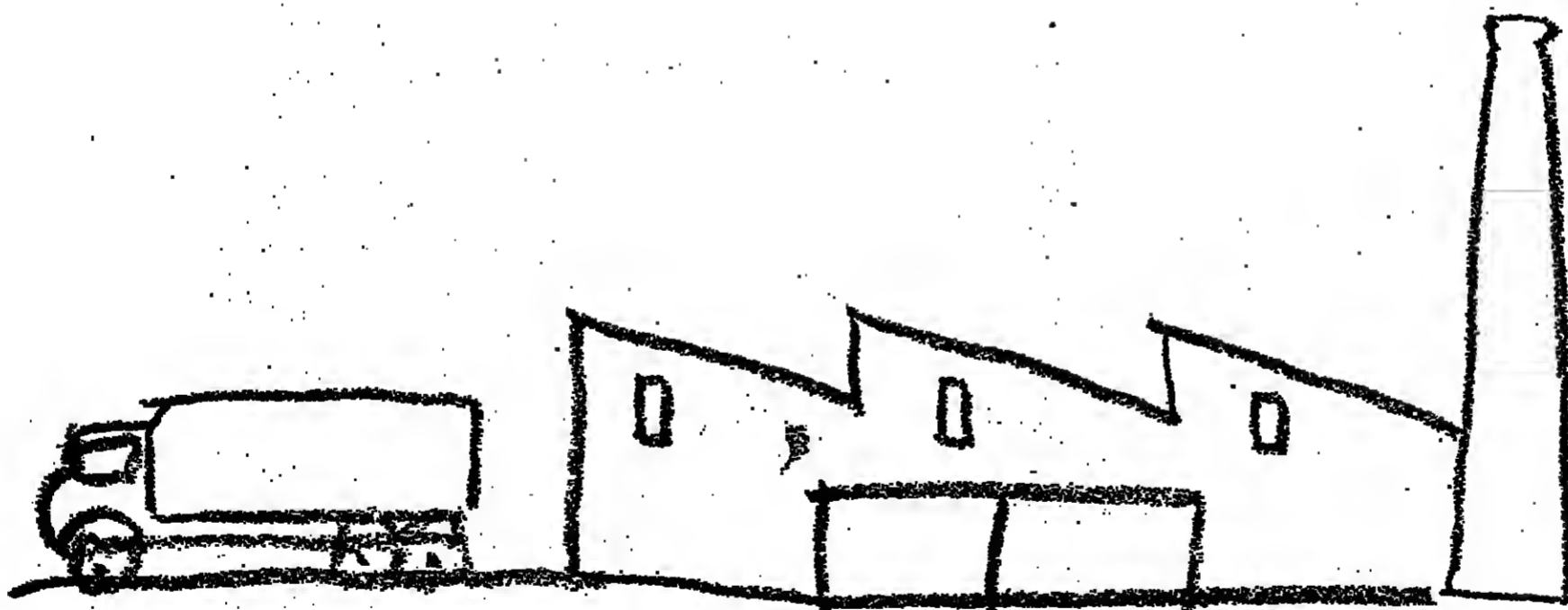
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FINANCE FOR SMALLER COMPANIES VI

Sources of venture capital

SEVERAL YEARS of economic recession and high interest rates have, not surprisingly, had their effect on the venture capital market. Those who need it have not been much in evidence, while a number of those who provide it have adjusted the criteria by which they lend money to such an extent that they probably can no longer be fairly described as venture capitalists.

However, despite this lack of demand, there seems little reason to assume that ideas and innovations which require venture capital no longer exist with individuals and among companies. Rather are they likely to be awaiting an improvement in the economic climate. Indeed, there are some indications that a more optimistic outlook is now emerging, for one or two of the clearing banks, together with institutions like the Industrial and Commercial Finance Corporation and the Charterhouse Group, have been experiencing a definite upturn in inquiries in the past six to eight weeks.

Tarnished

One of the major problems for organisations and individuals feeling they have the potential to generate a new venture is to know where to go. A few years back, after some ventures went wrong and the view began to emerge that this type of business may not be a good idea for institutions whose job it is to make a profit, the term venture capital became a little tarnished. In consequence some institutions attached such stringent conditions to the lending of money that they were no longer in the venture capital market, while new terms also emerged, such as "seed capital," which had less risky connotations.

There is still considerable disagreement over just what is venture capital. To some it is cash—supplied with little or no real security—to finance a new business or particular project from scratch. Others regard it as finance for a business which has already got started, is in need of some more permanent tangible security such as a medium-term capital, but has a limited track record. In these cases a small equity stake may well be required as security.

Then there are others. Including some of the merchant banks which provide "venture" capital only to companies which already have at least a five-year trading record, require at least a £10,000 investment and which will want a fairly sizeable equity stake, and management

involvement including a director on the Board. The first category is extremely specialist and the Government-backed National Research Development Corporation would probably claim that it is almost alone in providing high-risk money. Set up in 1948, it is not only the repository for all patents (other than defence or atomic) taken out by Government departments for further development either through licensing agreements with commercial companies or through its own companies, but also provides cash to develop specific projects within established companies or entirely new ventures.

Generally, it will require that any money it provides is matched by the borrower, but exceptions are made if it is felt a project is worth it. It is, however, a very specialist organisation in that it provides support only where it can be shown that a technological innovation is involved. It does not take an equity stake but makes money available directly towards development and production costs, repayment being by way of a levy on sales.

The NRDC suggests that it also has greater flexibility in relation to many other institutions in the amounts it lends, not being limited to a minimum of about £10,000. Generally, it has been lending a total of between £5m. and £7m. a year. Its total borrowing limit is £50m., although the maximum it has borrowed is £28m., with the current figure being about £13m., as a result of repayments out of revenue from certain investments and licensing agreements.

Options

If some sort of security or trading record can be provided, a wider range of options is available to those wanting venture capital. Clearing banks are an obvious source of start-up finance, but they will generally suggest that they are not really in the venture capital business. While overdraft money may be the initial finance lacking a Faber, Molins and Thomas Borthwick, which are of far more recent origin.

The stock market is still of interest for "mature" private companies with widely spread shareholdings. But it has largely lost its appeal for the young company dominated by an aggressive entrepreneur. One reason for the lack of new issues has been the generally low level of the stock market since 1973. Recently the level of share prices has been struggling back towards the values set in 1968, and again, in

that they are more willing than several years ago to sell some of the equity in their enterprises in exchange for funds. Traditionally, those wanting venture capital have been very independently minded individuals who were loath to part with any share capital—a sticking point on many occasions when they approached various institutions.

A whole variety of institutions provide what might more accurately be described as development capital in exchange for some fairly tight security for their investment. To a greater or lesser degree they will want an equity stake, perhaps some additional security on other assets, a seat

on the Board and active involvement in management. Into this category fall such as Charterhouse Group, Gresham Trust, Midland Montagu, County Bank and Hambros Bank and the Small Business Capital Fund. In relation to total funds available, however, there is a relatively modest contribution and very selective.

Finally, there is the one category which at one time formed the most important section of venture capital, but which to-day is available only on a rapidly diminishing scale—family finance. Income tax, death duties and other forms of taxation on family wealth have produced a situation

where development of a project with the backing of resources from within a family has become extremely difficult and it is a situation which many financiers and industrialists view with some alarm.

In Britain, unlike other countries such as the U.S. and West Germany, it is also now extremely difficult to generate sufficient savings from a regular occupation to launch an independent project. Very often the only way to remain totally independent is to raise cash on the security of one's own home and that is all too often the barrier which stops a project getting off the ground.

If anything, the reverse process is becoming the pattern—"going private." The financier Mr. David Rowland recently bought out the public minority in Williams Hudson, and after several false starts Mr. Laurence Graf has succeeded in mopping up almost all the outside interest in Graf Diamonds. Next month the listing of Graf is to be withdrawn.

The story of Graf Diamonds says a lot about the relationship of small companies with the stock market. It was only as recently as early 1973 that Graf around big City funds. Another sizeable marketing could be that of Sotheby's, the fine art auctioneers, but there is still no sign of a resumed flow of small to medium companies seeking a Stock Exchange listing.

Significantly, most of last year's handful of stock market newcomers were institutional grade companies. Even Hambros Life, the only young, entrepreneurial company of the bunch, already had very strong institutional connections through the Hambros group. A similar pattern could develop this year. Before very long, for example, the LASMO North Sea oil group will be seeking a quote for its equity, which is already widely spread around big City funds. Another sizeable marketing could be that of Sotheby's, the fine art auctioneers, but there is still no sign of a resumed flow of small to medium companies seeking a Stock Exchange listing.

It is also sensible consulting the small companies section of the Department of Industry through the regional network. Financial controls in general should be developed in line with the growth of a business. Naturally, taking on specialist staff can be extremely costly; and a burden when business is slack and there is not the throughput to keep everyone gainfully employed.

However, there are alternatives. For example, ICFE-NUMAS, the management consultancy arm of the Industrial and Commercial Finance Corporation (part of Finance for Industry), offers a control and advisory service. Basically this entails a qualified accountant setting up an appropriate accounting system in consultation with existing accounts staff. Once in train, the ICFE man interprets the resulting regular reports and writes a commentary each month on the trends in the business—including budgets and any particular problems that may have developed.

One of the better efforts to help smaller companies overcome their financial problems has come from Barclays through the bank's Business Advisory Service. The most relevant on this particular topic is titled "Improving Your Financial Control."

The text covers such areas as preparing profit and loss budgets, compiling management reports, cash forecasting and control of debtors. Of the latter, the booklet says close control is necessary for two main reasons—to control the company's credit risk by not allowing slow payers to become bad debts and to ensure that working capital is not locked up in debtors to too great an extent so that there is a very tangible cash saving for the company when interest rates are high.

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recently very good) and Mr. Graf decided he would be better off running a private company again—though outside shareholders were not too bappy at being offered only about half the price paid in the offer for sale less than four years previously.

A crucial problem was that of dividends. Shareholders in public companies look for a steady stream of rising dividends, which is ultimately the only assurance they have of a company's soundness and profitability in these uncertain days of inflation. But Mr. Graf preferred to axe dividends and invest the retained profits in higher stock levels. In practice he could not do this without buying out the public minority.

On a larger scale, Sir James Goldsmith is another entrepreneur who has talked about the disadvantages of running a quoted U.K. company. But in the event the terms of the offer from his French company Générale Occidentale will leave a public minority shareholding, albeit only half as large as before, in the London-quoted Cavenham.

The balance of advantage has shifted. "Increasingly tough restrictions are being placed on public companies, both by the Stock Exchange itself—with its voluminous Yellow Book of listing requirements—and by the Government, which, for example, has just tightened the regulations for disclosure of inter-company shareholdings. Meanwhile changes in taxation have made owners of private companies increasingly loath to put their assets into the stock market shop window. Wealth tax has receded as a danger, but Capital-Transfer Tax is a fact, and there is more scope for debating the worth of a private enterprise than in the case with a quoted company.

High rates of income tax, rising to 98 per cent for the top slice of investment income, also play a part. It is far better, some may feel, to argue directly with the tax inspector about profits and expenses with all of friendly local accountants rather than become exposed to the rigorous scrutiny of top firms of auditors and run the risk of conflicts of interest with outside shareholders.

Barry Rile

Obstacles to going public

GOING PUBLIC has traditionally been a nature stage in the development of a successful small company, opening the way to a new status, a greater capital-raising capacity—including the ability to issue marketable shares for making acquisitions—and perhaps, in the fullness of time, to a place among the country's great companies.

But something has gone wrong with this process. In terms of new flotations the past four years or so have been barren indeed. And such few companies that have been floated on the stock exchange have often quite old-established concerns rather than the thrusting youngsters of old. Within the last year, for instance, the scanty list of flotations has been dominated by names like Willis Faber, Molins and Thomas Borthwick, which are of far more recent origin.

The stock market is still of interest for "mature" private companies with widely spread shareholdings. But it has largely lost its appeal for the young company dominated by an aggressive entrepreneur. One reason for the lack of new issues has been the generally low level of the stock market since 1973. Recently the level of share prices has been struggling back towards the values set in 1968, and again, in

scription end also underwriting commitments. If anything, the reverse process is becoming the pattern—"going private." The financier Mr. David Rowland recently bought out the public minority in Williams Hudson, and after several false starts Mr. Laurence Graf has succeeded in mopping up almost all the outside interest in Graf Diamonds. Next month the listing of Graf is to be withdrawn.

The story of Graf Diamonds says a lot about the relationship of small companies with the stock market. It was only as recently as early 1973 that Graf around big City funds. Another sizeable marketing could be that of Sotheby's, the fine art auctioneers, but there is still no sign of a resumed flow of small to medium companies seeking a Stock Exchange listing.

It is also sensible consulting the small companies section of the Department of Industry through the regional network. Financial controls in general should be developed in line with the growth of a business. Naturally, taking on specialist staff can be extremely costly; and a burden when business is slack and there is not the throughput to keep everyone gainfully employed.

However, there are alternatives. For example, ICFE-NUMAS, the management consultancy arm of the Industrial and Commercial Finance Corporation (part of Finance for Industry), offers a control and advisory service. Basically this entails a qualified accountant setting up an appropriate accounting system in consultation with existing accounts staff. Once in train, the ICFE man interprets the resulting regular reports and writes a commentary each month on the trends in the business—including budgets and any particular problems that may have developed.

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Recognised

Much more attention is being paid, after all, to the contribution which small companies can make to the economy. It is point which is increasingly recognised by investment institutions, which have sometimes been criticised for favouring the merging of companies into large groups regardless of industrial logic.

Although it is hard for institutions themselves to cope with the mechanics of investing in small companies, there is a reason why the appropriate form of financial intermediary should not be developed. Indeed, it is already happening. To take one example, the Hambro Exempt Fund, specialist "unit" trust aimed primarily at pension funds, has just changed its name to the Allied Hambro Exempt Small Companies Fund, as part of its process of developing further its interests in smaller quoted concerns. And last year its institutions set up Equit Capital for Industry to fill an alleged financing gap.

It is still a matter of debate whether in future the financial of small companies will take place largely outside rather than inside the stock market arena. But although the past few years have been depressing in this respect for stock market enthusiasts, not least for the broking firms and merchant banks which used to make decent living out of the new flotations business, the argument has not yet been permittedly lost.

Barry Rile

Credit management a key sector

Companies House, the trade Press or merely personal experience. Having established that, Barclays reckons that a credit limit should be fixed and rigidly observed; that is, by ensuring that the outstanding debt position of a customer plus any new order(s) does not exceed this limit. It makes the point, however, that debts will not be settled promptly if the company itself is lax in billing customers and sets a bad example by its own administrative inefficiency.

No doubt speaking from vast experience, Barclays has compiled a five-point plan for dealing with bad payers:

1. Send a "first letter" seven days from the due date of payment; 2. Send a "second letter" 14 days later; 3. Thereafter telephone, telex, cable, or for large sums consider paying a personal visit. Barclays warns sagely: "Don't be put off by plausible-sounding excuses";
4. When the account is six weeks overdue, stop sending supplies and send a "third letter";
5. When eight weeks overdue Barclays advises putting the matter to the hands of solicitors or calling in a debt-collecting agency.

Naturally, all of these seemingly clinical moves have to be tempered with good judgement, especially if the customer is big and powerful and easily look elsewhere for supplies. However, perhaps one of most telling passages in booklet is that which deals with granting discounts for early prompt settlement of bills. A result of companies live off each other's credit. Illustration, Barclays uses common example of the 2% cent monthly discount and base of an average 21, more (75 days) as usual term settlement. Barclays argues a 2% per cent discount settlement within 30 days giving the company 45 m. days to use the money—is equivalent to an annual interest rate over 20 per cent and poses question "Is it worth it?"

The whole business financial control and administration is undoubtedly regarded a chore. However, the benefit an efficient system cannot over-stress. Apart from value to management of be able to see at any given time how the business is acting and being in a position to take remedial action if so thing is going wrong, it is efficient company that is likely to have its bills paid on time. Furthermore, when seek credit from a supplier or firm from the bank the outcome often be decided by presentation of relevant data.

Keith Lev

CASHING IN WITH ALEX. LAWRIE. No 1 in a series

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But not Douglas Price. 'Factoring isn't expensive', he says. 'It can provide the cash which your bank manager can't. It costs us about 1.4% of turnover. That's hardly what you'd call a rip-off.'

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Alex. Lawrie Factors Limited

15/10/77

FINANCE FOR SMALLER COMPANIES VII

Putting the case in the right way

ALL companies sometimes obtain the finance they need to expand or to tide them over a difficult period because they are unable to make out an adequate case to their banks. They tend to do this too long before seeking help and all too often they provide insufficient information to themselves and their banks to convince those who might otherwise be prepared to support them.

The reason for this state of affairs is that the proprietors of small companies usually excel in some field other than finance. They are good engineers or they are a fair hand at design or retailing and it is to exploit these skills that they set up their businesses in the first place. Frequently their knowledge of finance is limited. They assume that as long as their books are properly audited and the standards of the service they provide are high, they will be profitable. This is not always the case. Most small companies rely on their local branch banks for finance and few of them seem prepared to take advantage of the many services that the banks offer to businessmen. Perhaps many people still feel that to visit the bank manager is an intimidating and unpleasant experience that is best avoided unless it is really necessary. Certainly the banks report that too many small businessmen fail to come to see them when financial trouble is already in serious stages.

Errors

Yet bank managers are always happy to discuss business questions with the manager or owner of a small concern, and they are usually glad to give advice on the need for financial controls that may be needed. If possible, a company manager should see exactly how well things are being managed. If the company is making very serious errors, such as overstocking, the bank manager should be able to recognise the problem and help the proprietors to avert a crisis in the future.

Some of the big banks run special advisory services for small companies and if any extraordinary difficulties arise the manager of a branch bank can direct his customers to this, further source of expertise. Barclays' Advisory Service has

been established the longest and in the past five years it has helped 4,500 companies. Some of them have had an annual turnover of only £30,000, although Barclays says it would normally expect to deal only with companies that have a turnover of £200,000 or more.

Barclays will send advisory service staff into a company to examine all aspects of its affairs and then advise it on finance. The bank staff may produce an up-to-date profit and loss account or cash flow forecasts; they may provide a far more accurate assessment of the amount of money a company really needs to continue or expand its trading; they may also suggest ways in which the managers of the concern can present a more effective case when they start trying to raise the funds they need.

The Barclays service is free to customers of the bank. Businessmen who bank elsewhere may also use it but they will be charged—probably at the rate of £100 per day if they want their companies to be surveyed. Lloyds Bank set up a similar service about 18 months ago.

There are a number of other bodies that small companies can turn to for guidance on finance. Most local education authorities provide evening courses on business studies and the cost of these is minimal. Local libraries always stock books on the financial aspects of running a company and the librarian can advise on which would be the most useful for a particular need.

Small businessmen could often obtain far more help than they do from their own accountants. It would seem that many of them are worried by the high cost of professional fees, so they try to manage alone but this is usually a false economy. An accountant, in addition to auditing the books, can provide guidance on such things as cash flow. And unless a company can produce a cash flow chart plus a profit and loss account and a recent balance sheet it has little chance of convincing a bank or any other financial institution of its competence in financial management.

This is a point that is stressed by the Department of Industry's Small Firms Information Service. The department runs 10 information centres, all of them sited in population centres such as Glasgow, Man-

chester, Leeds, Birmingham, Cardiff and Bristol. Staff at the centres will answer queries, put people in touch with other bodies that may be able to assist them and provide booklets giving guidance on such things as aids to financial management and how to raise finance for a new enterprise. In addition to this a pilot counselling service has just been set up under which small companies can seek advice from other, successful industrialists within their own locality.

The Small Firms Information Service says that a bank manager—or anyone else thinking of providing finance for a small concern—will examine the would-be borrower for three things: character, capital and competence. It points out that a businessman who does not go anywhere near his bank until he has a hefty debt which he cannot meet is unlikely to inspire confidence. Nor will a bank manager looking for evidence of personal qualities be much impressed by signs of extravagance such as luxury cars or expensive holidays.

Stake

As far as capital is concerned, a bank will be more inclined to lend money to the proprietor or directors of a company if it can see that they themselves have a sizeable stake in it. The amount of money that a concern can raise will probably be based on the ratio of its capital, taking into account the security that is being offered.

The Small Firms Information Service says that when a company is presenting its case for a loan the first thing it must decide is exactly how much it requires. It must then state the form of the loan it would like, whether in a single sum, as a credit limit on an overdraft or in staged payments. The next thing is to say for how long the money will be required and how it will be paid back. A concern should also give full details of the security it is going to offer against the projected loan.

Small businessmen should provide a brief history of their companies plus a list of the names and addresses of all the directors or partners and of the appropriate bankers. They should say how they plan to use the finance they raise, giving costs or quotations, and they should ask their account-

ants to draw up a cash flow projection for the period of the loan.

The presentation of a case for a loan should include balance sheets for the previous three to five years. If the company's most recent balance sheet is more than four months old then accountants should be asked to draw up an interim balance sheet. A list of orders or contracts should be included in the presentation, preferably with some examples of the latter so that the bank or institution can examine them for break clauses. A limited company that is trying to raise money should produce its articles of association and memorandum plus a photocopy of its certificate of incorporation.

A small company should also be prepared to give current details about its overdraft, if any, and its debt, about any pending or immediate payment, about its debtors and any sums it considers to be uncollectable. Its approximate stock positions and its approximate profit margin. It is perhaps especially important for a small concern to consider its position vis-à-vis its debtors. Companies could often cut the amount of the loan they are seeking or even forgo it altogether if they were more efficient about collecting money owed to them.

The Small Firms Information Service says it is usually far harder to make out a good case for raising a loan if a person is setting up a company from scratch and requires venture capital. Yet basically the same rules apply. A venture capital institution will want to see cash flow projections, projected profit and loss accounts, a careful analysis of the market and of actual or potential competitors and some evidence that the would-be businessman has already acquired some of the relevant skills and experience that he will need to run his company successfully.

A small company will always find it easier to present a convincing case for a loan if the people running it have taken the trouble to obtain some grasp of finance. As Barclays Advisory Service points out, cash in a company is like blood in a human body—both are essential for continued existence.

Sue Cameron

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Terry Wilkinson

Professional advice

IT IS little wonder that accountants come top of the charts in any survey asking the smaller business to whom it would turn first for financial advice. The typical small business is after all characterised most frequently as a one-man operation, an entrepreneur with a gift for his particular line of trade but little knowledge of the specialised and sometimes impenetrable world of finance.

The Bolton Report—the seminal work on the subject—found that in response to its postal survey over 85 per cent of small companies are controlled or managed by one or two men, usually one. The report saw this as conferring advantages and disadvantages on the small company. On the one hand it accounted for the high morale and profit-maximising attitude that distinguishes the small business from its neighbouring giants; on the other it poses innumerable problems to the entrepreneur who, unless he is reincarnation of Sloan or Henry Ford, cannot be expected to encompass with ease all aspects of his business, particularly the all-important finance function.

An elementary knowledge of book-keeping and a wealth of experience and common sense are adequate enough in the normal run of business, but when major changes are needed to be considered in a small company's policies or the Government conjures up yet another fundamental overhaul of the taxation system—SET, VAT, or now CTT—it will almost certainly demand the infusion of specialist advice. Easily the most frequently tapped source of advice on professional skills and indeed general management problems are accountants, solicitors and bank managers.

Somewhere further down the list come the management consultants who, since the war, have made an increasingly lucrative living out of the problems of expanding organisations, and

the Government advice organisations often regarded—how ever unfairly—by small businesses as the Trojan Horse of centralised policy which has already caused them enough problems in other directions. One does not have to seek far for the reasons why the accountant, solicitor and bank manager are often used. For the accountant and bank manager there is the great advantage of close personal contact with the businessman and intimate knowledge of the business combined with the degree of concern that can only accompany a vested interest in the survival of the company in question.

Division

Even so, there is a natural division of skill and interest between the accountant and the bank manager. The two professions are more or less equally capable of seeing a gathering financial crisis in a company well before, in some cases, the owner—but the bank manager in the nature of things tends to adopt a fairly narrow view. His responsibility is to his depositors and shareholders and he also cannot be expected to have had the wide experience and knowledge of business necessary to advise on all aspects of management problems.

The accountant on the other hand has been playing an increasing role in taking an active interest in the management services side of a company. By his training the accountant can act as an extremely useful sounding board for ideas thrown up by the businessman, particularly when the first question a bank manager might ask is "have you discussed this plan with your auditors?". In addition, because of his regular audit work, the accountant is far more intimately informed about a business than any outsider. Most important, the training given to the accountant helps make up for those areas of business operation where the small entrepreneur is most likely to

be weakest—costing, budgeting and financial control.

It is interesting to note that since the presentation of the Bolton Report in 1971 there has been a considerable advance by the clearing banks in setting up advisory services for small companies and yet the accountancy profession itself has not thrown its weight behind a similar development among its own members.

Survey

To rectify this, consultants will do, say, a one-day survey of the company for no fee except for living and travelling expenses. It is then up to the businessmen to decide whether a longer survey is necessary. Consultants are likely to stress that while the accountant may have identified, for example, a poor cash flow performance as being caused by bad or unbalanced stocks, the consultant will examine the delivery performance and by the application of demand forecasting techniques, stock control and procurement analysis hope to right the position. The small businessman may well have only blamed the bank manager for refusing to lend him more money.

As for the fee scale, consultants would argue that the sums involved should be treated as an investment and not merely an expense; the small company ought to see the employment of a consultant as yielding an identifiable net profit in the same way as it would an investment in plant and machinery. There is no doubt that the sources of advice to a small company are varied both in cost and quality and ultimately it is up to the businessman to decide just how serious his problem is and how far he is prepared to go in solving it.

nessman as would any outsider and the scale of fees can often be a deterrent. According to a leading consultancy firm, this is a mistaken attitude. A small company, since it is small and integrated, is ideally placed for short bursts of expertise which may well not be available from the auditors.

A problem frequently encountered by consultants dealing with small companies is that the brief given is too vague. The difficulty, as seen by the businessman, can often have its roots in a quite different respect of the business operation.

The aim of the government service is to provide small companies with a free session of advice from experienced retired or semi-retired businessmen. To date, 24 counsellors have been working from seven area offices in Bristol, Truro, Swindon, Gloucester, Plymouth, Bournemouth and Exeter. After the first free session, the counsellor is available to provide further help for up to ten days in the year at a cost of only 25 a day for the first two days and 15 a day after that. A similar "stop-front" approach, modelled on North American lines, has been urged by some of its members but so far the accountancy bodies, perhaps regarding it as detrimental to the livelihood of its local practitioners, has not been in favour of the scheme.

A full-blown consultancy service from one of the leading firms in the management consultancy field is of course considerably more expensive than that offered, for example, by the government scheme. Average fees per consultant day are now running in the region of £150 to £160. Bolton noted that consultancy firms had not shown much interest in small companies—understandably in view of the growth seen in the profession which has been based on the larger concern. In addition, the consultants meet the same resistance from the small busi-

Hire purchase has attractions...

In spite of apparent expense, the attraction of hire purchase and leasing for many small businesses is that the commitment involved is easily understood. Payments are made regularly, probably once a month, and are normally of a fixed amount. Any company using either system knows what it must find in the way of outgoing cash throughout the term of the hire purchase or leasing arrangement.

Most types of fixed assets are suitable for hire purchase or leasing treatment. This includes everything from a typewriter to a computer, a salesman's car to a heavy commercial vehicle, an office duplicator to a printing press, a machine tool to a complete production line.

There are of course some restrictions, and United Dominions Trust, one of the larger finance houses, outlines the situation this way: "Goods that should be easily identifiable, leased a particular asset will often be given first option to

larger installation or part of a stock of unidentifiable spare parts. They should have a useful working life at least as long as the period of the agreement. They can be freely re-sold. They have a high earning potential, direct or indirect."

Any decision on whether a company should use hire purchase rather than leasing or vice versa is mainly a matter of the company's tax position. In broad terms, if the business is making taxable profits, then hire purchase is probably the most beneficial arrangement; if not, then leasing is most likely the answer.

A company must also take into account the fact that with hire purchase it ends up owning the asset which is the subject of the agreement. With leasing this is not so; the asset belongs to the finance company. bought the goods outright. And this difference is often obscured, however, by the fact that the company which has allowed a particular asset will often be given first option to

buy it when the leasing concern decides to sell. It is this distinction between the two types of arrangement which results in a different taxation effect for each of them. A company purchasing an asset under a hire purchase agreement is treated for tax purposes as the owner as soon as it pays a deposit and takes delivery. This means it is eligible for the whole of the 100 per cent. first-year allowance (or in the case of passenger cars the 25 per cent. writing-down allowance as if it had bought the asset outright for cash.

Grant

On top of that, if the asset qualifies for a regional development grant it will be paid in full just as if the company had bought the goods outright. And the interest element paid under a hire purchase contract is allowed against earnings before tax. In the case of a leasing

arrangement it is the lessor—that is, the finance house—which is the owner and so it is the finance house which gets the capital allowances, regional development grants and so on. Naturally, the finance house should take these benefits into consideration when fixing the rental.

All that the company using the asset can do is treat all rentals as a trading expense and deduct them from earnings before arriving at its taxable profit.

The upshot is that if the borrower can take immediate advantage of the capital allowances available, hire purchase will almost certainly be more beneficial than leasing. If the borrowing company is short on taxable profits then it will probably pay it to lease. But it should be remembered that a company is permitted to carry back the unused first-year allowances for three years and so taxable profits in the previous three years as well as those for

the year of acquisition should be taken into the calculation.

The finance houses, which are responsible for most of the hire purchase and leasing to industrial customers, also offer variations on leasing. Variations like contract hire. This is an arrangement of particular interest to the smaller company because it is mainly used for vehicles.

In contract hire the user pays only the pre-calculated depreciation during the fixed hiring period. It frequently includes the provision of maintenance, servicing, repairs and replacement vehicles. In the case of heavy commercial vehicles it may even throw a driver and fuel into the deal. This type of leasing is attractive to the smaller company because it helps cash flow and prevents lots of capital being tied up in vehicles.

In any case, the finance houses are usually willing to help a company with cash flow problems by offering variations on the normal pattern of payment under a hire purchase agreement.

There are "seasonal" payments such as would suit a farmer paying for a combine harvester that generates large earnings when the crops are sold but nothing for the rest of the year.

There are "skip" payments for the contractor who knows from experience that he will be unable to operate his plant in some of the winter months.

There are "accelerated" payments for the commercial

vehicle operator who would like to make large payments at the beginning of the contract, when maintenance costs are low, and low payments when the vehicle is older and more costly to maintain.

There are "decelerated" payments for the period of running-in of a machine before production has started. There are "balloon" payments for use in contracts in which the goods have a high residual value.

There are many more because the finance houses pride themselves on being flexible in their approach to lending.

They even offer variable interest rates, based on the Finance Houses Association base rate. This rate was specifically introduced for deals involving industrial and commercial customers. The idea is that the finance houses arrive at a true and flexible rate of interest geared to the real cost of the money they have to borrow themselves. Published daily in the Financial Times, the FHA base rate is calculated monthly by reference to the inter-bank three-month rate.

But, as with stock market investment, the rate can go up as well as down and any company opting to take an agreement tied to the FHA base rate has to take a view on the way interest rates might be going over a medium-term period. For this reason it is a system which does not attract the smaller companies to any great extent.

But the finance houses stress that these agreements benefit

the customer because the lender can quote more competitively in the knowledge that he will not get badly caught by a sudden jump in interest rates before the agreement ends. It also helps those borrower companies which need to invest in a capital asset when interest rates are high. They can go ahead in the knowledge that as interest rates descend so will the interest they have to pay on their hire purchase agreement.

Instalment credit companies try to tailor each agreement—whether hire purchase or leasing—to suit the individual company and the individual asset. Of course the prime consideration as far as the finance house

is concerned is whether the company getting the asset is credit-worthy and will be able to pay back. This often means that discussions will take place in which the finance house will ask for details such as when the plant or equipment involved will be in full operation and when it will come to maximum earning power. With forward planning particularly difficult for smaller companies in the current economic climate, getting out the finer points of detail can be a daunting task. But without them there can often be no deal.

Kenneth Gooding
Industrial Correspondent

...so does factoring

FACTORING IS a financial and administrative service specifically designed for smaller companies with the object of relieving entrepreneurs of day-to-day financial cares—such as collecting money from customers and running an accounts department—so that they can concentrate on producing goods or supplying services.

Basically a factor offers a client three services, although there is usually no pressure to accept all three. The first is a straightforward organisational service—the factor becomes the accounts department of the client, looking after the sales ledger, sending out the invoices, getting in the payments. At a certain stage a company may well want to build up its own internal accounts department but until that move can be justified the factor does the job.

As regards cost there is no fixed scale of fees and individual factors may well quote the same company a different sum. The charge is usually geared to the work and the risk involved, and whether the factor is familiar with the client's particular business.

But the general scale of costs varies between 0.75 and 2 per cent of the client's turnover. This is for the servicing of the business. When a factor passes on cash early it charges more, usually interest at between 2 and 4 per cent above base rate.

Attractions

Factors reject the majority of companies who approach them. This is because many small companies see factoring as a way of getting out of a financial mess. Factors are only interested in successful and expanding companies, usually with sales in the £500,000 to £1m. range, although some specialise in working for smaller companies.

In addition they tend to concentrate in certain industries—mainly engineering and textiles. Service trades and unusual businesses are regarded as rather risky, an attitude which gives rise to the criticism that factors only work for companies that are safe and solid, and could manage under their own steam.

Second, most factors provide clients with protection against bad debts. If a customer does not pay for goods or services received the factor will usually make good the loss.

Finally, and again it is up to the client to decide what use it makes of this service, factors will help with the cash flow, passing on to a client up to 80 per cent of the value of a debt as soon as it despatches the invoice to a client's customer. The remainder of the money goes to the client when the factor has gathered it in.

There are approaching 10 major factors operating in the U.K., and most of them are now subsidiaries of clearing, foreign or merchant banks. The largest is probably Credit Factoring, a subsidiary of National Westminster, which claims to be factoring well over £200m. a year now for around 200 clients. Then comes International Factors, owned by Lloyds and Scottish Finance, around the £130m. mark with 140 clients, and Griffin, the Midlands factoring operation, which is about the same size as International. Barclays also offers a factoring service but it is not yet as involved as its three big competitors.

Some companies may be reluctant to let their bank also be their factor—for a factor must necessarily know all the secrets of a business. For them there is H and H Factors, mainly owned by the Walter Heller Corporation of the U.S., with some Hamburg money involved; Mercantile Credit; and Arhuthnot.

Then there is Alex Lawrie, now also owned by Lloyds and Scottish, which is different in not offering credit insurance. Finally, there are companies that offer the related service of invoice discounting, which is

basically the buying of a company's debts. The client's use of its factor changes with the economic climate. In times of a recession it is perhaps the credit insurance and the ready availability of money which is attractive; in periods of expansion it is the administrative service which frees the management to concentrate on building up the business that is most used. Factoring should be a very flexible tool, with a close relationship existing between factor and client.

Although a factor will reckon to work with companies for a limited number of years, helping them until they are large enough to stand on their own feet, some multi-million turn-over organisations employ factor in subsidiary operations—in particular for exports. It is extraordinary how few companies make use of the export service offered by most factors a service which makes selling abroad as safe and simple as selling to a customer ten miles away.

The factor handles all the currency problems, and also uses its overseas contacts to check out the creditworthiness of customers, so for a client the payments arrive just as if they were from U.K. buyers—and the charge is not much greater than for domestic factoring. For small companies attracted by the idea of selling abroad but worried about the strangeness of it all, a talk with a factor can be recommended.

Not all companies find using a factor a satisfactory experience. Although the saving on running an internal accounts department, and the discount that a business can often obtain through paying cash for goods—cash provided through the improved liquidity that comes from using a factor's financial service—together often mean that a factoring agreement can actually save a client money (besides the administrative benefit of freeing top management from financial worries there are pitfalls.

For a start factors usually set a client approved credit limits for each of its customers. If the client sells goods to the customer above the limit it does not qualify for protection against bad debts, and does not get the cash advanced on debt. Some clients regard this as interference with their business and an impediment to expanding turnover.

Advice

The factor will reply that there are reasons for advising client not to get too involved with particular customer, reasons which probably derive from the almost unrivalled information that a factor acquires about the solvency of companies. A factor is the first to know when large companies start to delay on paying the accounts, and not even hand have such a broad knowledge of trading patterns in certain industries.

Even so, companies may feel that the factor does not provide a service when it is needed for those customers where there is an occasional element of risk and where an initial gamble or a big contract could open the way for a rapid growth in sales.

The other drawback of many factors is that they like the clients to have simple trading patterns. They do not usually approve of companies that set direct to the public, or that have a seasonal trading pattern or numerous small customers. In the early years of factoring there was over-rapid expansion and some factors were caught with severe bad debts. They are very cautious now.

But the advantages of using a factor far outweigh the disadvantages, and there are enough factors to negotiate with if the first turns you down. These day customers are used to having a factor handle the financial chores for a company and in deed using a factor is regarded as a sign of financial probity. With the clearing banks now very much selling the concept, factoring looks set for greater and more rapid growth.

Anthony Thorcroft

How to give your finance controller a new lease of life



We know (so, probably, do you) finance controllers who have grown old before their time. Old in the attempt to find money to replace plant, machinery, equipment or vehicles which ought to have been pensioned off years ago.

But there is an alternative to purchase and ownership. It's called leasing, and it's one of a great many services available from the companies that make up Midland Bank Group.

Leasing can be much more advantageous than purchase—and rentals may reflect the benefits of all available tax allowances.

Knowing your rental commitments in advance means that you can plan with accuracy. Yet leasing is also flexible, allowing you to change or up-date equipment at any time to meet changing circumstances.

Most important, by leasing instead of buying, you conserve precious capital for other important company uses.

Discuss your problems with us. Leasing is just one of the many financial services that Midland Bank Group offers you to help make business more profitable.

Your local Midland Bank branch manager can also arrange term loan facilities, instalment finance, factoring and a number of export and international services, including export finance in sterling and other currencies and the discounting of bills. He can arrange, too, merchant banking facilities which include the raising of long-term and share capital, and finance for growing companies.

Let us help you. There's a whole range of services, in fact, and all available in the simple way you're used to—through your local bank. Call in soon at any of 3,000 Midland Bank Group branches and talk to the manager. He can quickly put you in touch with the appropriate Group companies.

Finance for Britain's Industry

Leasing Services from  Midland Bank Group

Principal trading companies include: Midland Bank Limited, Clydesdale Bank Limited, Clydesdale Bank Finance Corporation Limited, Northern Bank Limited, Northern Bank Finance Corporation Limited, Midland Bank Trust Company Limited, Forward Trust Limited, Midland Montagu Leasing Limited, Griffin Factors Limited, Midland Bank Insurance Services Limited, The Thomas Cook Group Limited, Samuel Montagu & Co. Limited (Incorporating Drayton), Drayton Montagu Portfolio Management Limited, Midland Montagu Industrial Finance Limited, Bland Payne Holdings Limited, London American Finance Corporation Limited.

10/10/77

OVERSEAS MARKETS

EUROBONDS

Market stabilising factors

LAST WEEK witnessed a market stabilisation at lower levels in the U.S. dollar sector, confirmed on Friday after the mid-week holiday in most European centres. In the D-Mark sector, although prices had not changed by the end of the week, dealers were beginning to talk prices up following the Bundesbank's decision on Wednesday to boost bank liquidity. A total of DM1.5bn. will be injected into the banking system, of which dealers in Frankfurt suggested about DM1.2bn. would find its way into the bond market.

The \$40m. convertible bond for Jucos will be convertible after July 1. Of the issues priced in the dollar sector last week, Deutsche Bank's \$125m. two year bond being raised through its Luxembourg subsidiary Cie Financiere de la Deutsche Bank was priced at 98 1/2 and Amsterdam bank at par with a minimum coupon of 7 per cent. On Friday however in the first time trading the latter was quoted at 97 3/4, which dealers regarded as disappointing in view of the relatively high minimum rate. Apart from the general weakness of the floating rate sector, there appears to have been a reluctance to accept Danish paper. It is fair to say that a number of people are not happy at the rate of Danish borrowing and the announcement of another junior syndicated bank loan to the country this week will not help. Denmark may soon have to pay more for its money.

The pricing of the Olivetti issue at 99 1/2 gives it a yield slightly higher than the mid issue. The new issue was never attractive and while contrary to market comment on Friday, the market last Thursday filtered through in London, to a degree, on Friday morning but with New York opening strong, feeling in London recovered.

lead insurer Union Bank of Switzerland, did not require underwriters to take up any specific proportion of their DM100m. for the Commission commitments, reminders that the issue would close at noon on Friday were apparently sent to those underwriters from whom a subscription had been received.

The issue will qualify for exemption from the 15 per cent. Hong Kong withholding tax, as did the other two. Nippon Telegraph and Telephone Public Corporation will float its Sw.Frs.100m. 15 year foreign bond which will carry a 5 1/2 per cent. coupon between May 23 and 26.

In the Yen market, the Government of Fukuoka's Yen100m. 12-year issue will be offered at par today. This is the second Fukuoka Yen bond issue after the Yen100m. bond floated in 1975. Compagnie Nationale Algerienne de Navigation is raising a loan in Saudi Riyals through the BAI. Sr.150m. due in 1982/87 with an indicated coupon of 5 1/2 per cent. Guarantor is the Banque Exterieur d'Algerie.

The ABT International Bond Market 1977—the first ever issue of an annual issue—was published last week. It lists every bond issue, including Swiss franc foreign bonds and D-mark bonds which do not technically fall within the ABT portfolio, alphabetically by borrower and nationality.

ABT International Bond Manual, Interbond Services Ltd., 2, Parkway, Regents Park, London NW1 7AA; \$80 for the first three copies, less for subsequent ones. fortnightly updating service at 50 per cent. of original subscription.

Indices

NEW YORK - DOW JONES

Table with columns for Date, High, Low, and values for Industrial, Home Ent, Transport, Utilities, and Trading vol.

MONTEREAL

Table with columns for Date, High, Low, and values for Industrial, Combined, and JOHANNESBURG.

JOHANNESBURG

Table with columns for Date, High, Low, and values for Gold, Industrial, and various stock indices.

GERMANY

Table with columns for Date, High, Low, and values for various German stock indices.

JOHANNESBURG

Table with columns for Date, High, Low, and values for various Johannesburg stock indices.

AUSTRALIA

Table with columns for Date, High, Low, and values for various Australian stock indices.

PARIS

Table with columns for Date, High, Low, and values for various Paris stock indices.

VIENNA

Table with columns for Date, High, Low, and values for various Vienna stock indices.

STANDARD AND POORS

Table with columns for Date, High, Low, and values for various Standard and Poors indices.

INDICES

Table with columns for Date, High, Low, and values for various international indices.

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OVERSEAS SHARE INFORMATION

NEW YORK

Large table listing various New York stock prices and indices.

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Investment premium based on \$2.00 per £1-11 1/4 (113 1/2%)

Copy 1250

Which international construction company has a balanced approach to a changing world?

Points from the statement of the Chairman, Robin Martin.

Our United Kingdom mainstream business performed very well in difficult markets and the International Division expanded rapidly in the developing countries, producing profits which were well up to forecast.

Through the diversity and balance of our activities and the strength of our management we are particularly well placed to meet changing market situations. The pattern of 1977 is likely to be set by a further diminution of the United Kingdom market for construction materials and services. We will continue to diversify overseas, increasing the weight of our investment of people and finance in the developing countries.

The year in brief	1976 £000	1975 £000
Turnover	510,996	410,788
Profit before interest	27,717	23,536
Profit before exceptional item	25,272	20,270
Profit before Tax	22,502	20,270
Assets employed	143,458	134,345

Chairman's statement and 1976 Report and Accounts available on request from: The Registrar, Tarmac Ltd, Etingshall, Wolverhampton WV4 6JP.

Tarmac Group Analysis of Results by Division	1976 RESULTS			COMPARATIVE	
	Turnover £ million	Profit before interest £ million	1976 Profit Proportions of Group %	1976 Profit Growth over 1975 %	1975 Profit Proportions of Group %
Quarry Products	164	11.0	40	- 12	53
Building Products	97	5.5	20	+ 25	19
Construction	137	5.1	18	+ 50	14
International	36	2.3	8	+188	3
Cubitis (four months only)	31	1.2	4	-	-
Housing	41	4.3	16	+ 25	15
*Properties	1	-0.9	-3	-	-2
Other Activities	5	0.9	3	+46	3
Central costs	-	-1.7	-6	-	-5
Group profit and loss account	511	27.7	100%	+ 18	100%

*before charging exceptional item of £2.8 million loss on a development in Belgium.



Big in construction. Rich in resources.

Tarmac Roadstone • Kings & Co • Tarmac Readycrete • Briggs Amasco • Permanite • Coolag • Econamac • Tarmac Construction • William Briggs Construction
Mitchell Construction • Kinneair Moodie • Tarmac International • Holland, Hannen & Cubitts • McLean Homes • Tarmac Homes • Wm Lee Malleable • Plascom.
Also companies in Abu Dhabi • Bahrain • Dubai • France • Germany • Liberia • Malaysia • Netherlands • New Zealand • Nigeria • Oman • Sharjah • South Africa • Switzerland.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of Authorised Unit Trusts including Abbey Unit Tr. Mgrs. Ltd., Allied Hambro Group, Arbutnot Securities Ltd., Barclays Unicom Ltd., and various international and domestic funds.

Table of Offshore and Overseas Funds including Abbey Life Assurance Co. Ltd., Equi & Law Life Ass. Soc. Ltd., and various international investment funds.

FINANCIAL TIMES STOCK INDICES

Table of Financial Times Stock Indices showing various market indices and their values.

HONG KONG SINGAPORE

Table of Hong Kong and Singapore stock indices and market data.

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INSURANCE, PROPERTY, BONDS

Table of Insurance, Property, and Bonds including various life insurance policies, property investments, and bond offerings.

CLIVE INVESTMENTS LIMITED advertisement with contact information and investment details.

Table of Insurance Base Rates for various insurance policies.

AND DEAL... the b

Handwritten scribble at the bottom of the page.

SHARES AND DEALS

BTR and Silentbloc fight to the bitter end

Samuel, the merchant adviser to BTR in its... centered bid to take over Silentbloc, has been a last minute effort to the success of the offer...

by Dart in cash from bank facilities and in addition a loan by Metrox to Trondep of \$30,000 has been repaid.

Foundation on May 18 the foundation is no longer interested in 5 per cent. or more of the shares.

BRITISH UNITED TRAWLERS. British United Trawlers has acquired a 50 per cent. interest in Southern Ocean Fish Producers' Association.

NO PROBES. Mr. Roy Hattersley, Secretary of State for Prices and Consumer Protection, has decided not to refer the following proposed merger to the Monopolies Commission.

SHARE DISCLOSURES. British Land: Dr. Daniel M. McDonald has notified that he is through his wife and a company controlled by him, interested in shares aggregating 522 per cent.

BERRY WIGGINS -BP OIL. Berry Wiggins announces that oil has decided in principle to exercise the option to purchase Wiggins' 50 per cent. holding in BP Aquasol end negotiations are now entering the final phase.

MY DART BUYS TRONDEX. The 50 per cent. interest in Trondep formerly held by Metrox company has been sold to MY Dart. Trondep thus becomes a wholly-owned subsidiary of Dart.

Further 80,000 shares, making total holding 270,000 (10.35 per cent.) in a non-beneficial holding.

United Kingdom Property: Lazard Brothers is a beneficial owner of 2,400,000 shares (5.72 per cent.), including shares owned by Whitehall Holdings.

Macdonald Martin Distillers: Mr. D. W. A. Macdonald, a director, has bought 18,000 shares (14.75 per cent.).

Agus Securities: Mr. H. C. Quinlan, a director, held 5,000 shares at 15p on April 26, 10,000 shares at 15p on May 12, and 5,000 shares at 15p on May 10.

Second Broadmont Trust: N.S.T. J. W. R. Lane and John G. Bevan hold 1,539,708 shares (18.816 per cent.) in a non-beneficial holding.

First Castle Securities: Connor Lyons Cerperation holds 1,248,285 shares and Ralph C. Woodbridge holds 182,550 shares.

Lookers: Mr. R. J. Platta, a director, has bought 30,000 shares and his wife, Mrs. Gillian Platta, has bought 25,000 shares.

London and Scottish Marine Oil: Blue Star Line holds 335,500 shares (5.08 per cent.).

British Mehar Spinners: Mr. J. A. Cleugh, a director, sold on May 19 10,000 shares of 39p.

Westminster Theatre: 01-234 0223. SPECIAL PREVIEW: THE GARDEN WALL. Through the Garden Wall.

Whitehall Holdings: Mr. G. D. McKee, a director, has disposed of 5,000 shares.

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Advertisement for Kajima Overseas (Curaçao) N.V. featuring \$20,000,000 in 7 1/2% Guaranteed Notes Due 1982. Includes logos for Kajima Corporation and The Sumitomo Bank, Limited.

ENTERTAINMENT GUIDE

Table listing various entertainment venues such as Theatres, Operas, and Clubs, with their respective addresses and showtimes.

Henry Boot
Great people to build with
Henry Boot Construction Limited,
Dronfield, Sheffield S18 6XR
Also at Birmingham, Bristol, Glasgow, Manchester, London

FT SHARE INFORMATION SERVICE

INDUSTRIALS

Dividends Paid	Stock	Price	Last	Div	Yield	Div	Yield
Apr.	Oct. I.A. Research	120	113	1.00	8.7%	8.7%	8.7%
Apr.	Oct. I.A. Ind. Research	120	113	1.00	8.7%	8.7%	8.7%
Apr.	Oct. I.A. V.P. Ind.	120	113	1.00	8.7%	8.7%	8.7%
Apr.	Oct. I.A. Ind. Res.	120	113	1.00	8.7%	8.7%	8.7%
Apr.	Oct. I.A. Ind. Res.	120	113	1.00	8.7%	8.7%	8.7%
Apr.	Oct. I.A. Ind. Res.	120	113	1.00	8.7%	8.7%	8.7%
Apr.	Oct. I.A. Ind. Res.	120	113	1.00	8.7%	8.7%	8.7%
Apr.	Oct. I.A. Ind. Res.	120	113	1.00	8.7%	8.7%	8.7%
Apr.	Oct. I.A. Ind. Res.	120	113	1.00	8.7%	8.7%	8.7%

CANADIANS						BUILDING INDUSTRY—Continued						DRAPEY AND STORES—Continued						ENGINEERING—Continued											
Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield						
Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%
Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Nov.	Nov. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%

BRITISH FUNDS						BANKS AND HIRE PURCHASE						CHEMICALS, PLASTICS						ENGINEERING, MACHINE TOOLS											
Interest	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield						
20%	20% Treasury 10000	101.5	101.5	1.00	9.8%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%
20%	20% Treasury 10000	101.5	101.5	1.00	9.8%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%

CORPORATION LOANS						BEERS, WINES AND SPIRITS						CINEMAS, THEATRES AND TV						DRAPEY AND STORES											
Interest	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield						
10%	10% Loan 10000	101.5	101.5	1.00	9.8%	Sept.	Sept. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Sept.	Sept. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Sept.	Sept. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Sept.	Sept. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%
10%	10% Loan 10000	101.5	101.5	1.00	9.8%	Sept.	Sept. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Sept.	Sept. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Sept.	Sept. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Sept.	Sept. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%

COMMONWEALTH & AFRICAN LOANS						AMERICANS						HOTELS AND CATERERS																	
Interest	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield	Dividends Paid	Stock	Price	Last	Div	Yield						
10%	10% Loan 10000	101.5	101.5	1.00	9.8%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%
10%	10% Loan 10000	101.5	101.5	1.00	9.8%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%	Jan.	Jan. S.D. Ind. Montreal	11.4	11.0	5.00	4.4%

FOREIGN BONDS & BILLS					
Interest	Stock	Price	Last	Div	Yield
10%	10% Loan 10000	101.5	101.5	1.00	9.8%
10%	10% Loan 10000	101.5	101.5	1.00	9.8%

Conversion factor 0.7142 (6.7880)

by 00 1000

100/10 1.50

INDUSTRIALS - Continued. Table listing various industrial stocks with columns for Stock, Price, Div, and Yld.

MOTORS, AIRCRAFT TRADES. Table listing motor and aircraft related stocks with columns for Stock, Price, Div, and Yld.

PROPERTY - Continued. Table listing property-related stocks with columns for Stock, Price, Div, and Yld.

TRUSTS - Continued. Table listing trust-related stocks with columns for Stock, Price, Div, and Yld.

TRUSTS - Continued. Table listing trust-related stocks with columns for Stock, Price, Div, and Yld.

Serving the world with financial expertise. SANWA BANK Tokyo, Japan

MINES - Continued. Table listing mining stocks with columns for Stock, Price, Div, and Yld.

CENTRAL AFRICAN. Table listing Central African stocks with columns for Stock, Price, Div, and Yld.

AUSTRALIAN. Table listing Australian stocks with columns for Stock, Price, Div, and Yld.

TINS. Table listing tin stocks with columns for Stock, Price, Div, and Yld.

COPPER. Table listing copper stocks with columns for Stock, Price, Div, and Yld.

MISCELLANEOUS. Table listing miscellaneous stocks with columns for Stock, Price, Div, and Yld.

NOTES. Text providing information about notes and financial instruments.

TEAS. Table listing tea stocks with columns for Stock, Price, Div, and Yld.

MINES. Table listing mining stocks with columns for Stock, Price, Div, and Yld.

CENTRAL RAND. Table listing Central Rand stocks with columns for Stock, Price, Div, and Yld.

EASTERN RAND. Table listing Eastern Rand stocks with columns for Stock, Price, Div, and Yld.

FAIR WEST RAND. Table listing Fair West Rand stocks with columns for Stock, Price, Div, and Yld.

REGIONAL MARKETS. Table listing regional market data with columns for Stock, Price, Div, and Yld.

PROPERTY. Table listing property-related stocks with columns for Stock, Price, Div, and Yld.

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FINANCIAL TIMES

Monday May 23 1977

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Saudi prepared to raise oil price

By Our Foreign Staff

CROWN PRINCE Fahd of Saudi Arabia, who yesterday met the Prime Minister at Chequers, has told a Beirut newspaper that his country is prepared to raise its oil prices, apparently to bring them into line with those of other OPEC members.

There have been increasing indications in recent weeks that Saudi Arabia is prepared to compromise on the OPEC issue. As a quid pro quo, it expects most OPEC members to forego their planned increase of a further 5 per cent, scheduled for July 1.

Earlier this month, Al Anwar quoted an unnamed Arab oil minister as saying that Saudi Arabia had agreed in principle to raise the price of crude to 8 per cent, above last year's level.

From Prince Fahd's latest statement in the newspaper it appears that he is contemplating raising the price to 10 per cent, thus again creating a single OPEC price.

Ministers

Prince Fahd also told the newspaper that Saudi Arabia would be ready to agree to a U.S. request to increase its oil production and strategic reserve requirements. But in return the U.S. would have to use its influence to achieve a Middle East settlement.

'Slush' probe scope to be decided soon

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE SCOPE of the planned Government inquiry into the allegations by Lord Ryder, chairman of the National Enterprise Board, that a number of companies had received a report prepared by Lord Ryder, chairman of the National Enterprise Board, is expected to be decided early this week.

The main thrust of the MPs' criticism has been against the Daily Mail's decision to publish the letter which suggested that Lord Ryder had connived in new "Special Account" arrangements established by Leyland, but which turned out to be a forgery.

He has made it clear that he wants a full and open investigation of the allegations. At the same time, however, in an atmosphere of increasing anxiety over the damage which has already been done to the company, he is concerned that Leyland's problems in overseas markets of alien traditions should be fully recognised.

Leyland said in a long statement at the week-end that it had "found no evidence of bribery and corruption to support the allegations and inferences made by the Daily Mail."

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Problems of EEC recruits to be studied

BY GUY DE JONQUIERES

FOREIGN MINISTERS of the nine EEC countries reached broad agreement during the week-end on the need to give careful study in ways of solving the economic and institutional problems confronting the EEC before new members are admitted.

The Ministers, meeting informally at Leeds Castle, near Maidstone, were able for the first time to discuss at length the likely consequences if, as expected, the EEC is joined by Greece, Portugal and Spain during the 1980s.

No conclusive decisions were reached at the talks, at which the chair was taken by Dr. David Owen, Foreign Secretary, but they were judged to have led to increased awareness among the nine of the difficulties that enlargement and to have clarified thinking on the question.

The Ministers agreed to take the matter up again in Luxembourg towards the end of next month, when it is expected that they will consider in greater detail possible steps to prepare the EEC for new members.

The Nine also agreed that it is necessary to support the fledgling democracies in Greece, Portugal and Spain by responding positively to requests for EEC membership. Negotiations with Greece are underway, Portugal applied several weeks ago and Spain is expected to apply in the autumn.

Some Ministers say, however, that the Community has functioned less effectively since it was joined by Britain, Denmark and Ireland at the start of 1973, and that its cohesiveness will suffer further unless steps are taken to reform its operation before the entry of additional members.

M. Louis de Guiringaud, French Foreign Minister, said after yesterday's meeting that further enlargement must be preceded by a thorough examination of the Community's activities on a sector by sector basis.

M. de Guiringaud underlined the need for changes in the EEC common agricultural policy which France and Italy fear will be weakened by the admission of new Mediterranean members, whose economies are heavily dependent on agriculture.

THE LEX COLUMN The banks' base rate dilemma

Since the clearing banks fact, after allowing for inflation, bank advances of the big deposits to support their lending half a point of their base rate at the start of the month, money market rates have eased by another quarter of a point or so, and a good case could now be made for a further trimming of base rates.

But so far no bank has made a move, and clearing banks must be quietly hoping that no one will. The failure of bank base rates to follow money market rates lower is no accident. It is a symptom of the underlying malaise now afflicting domestic clearing bank operations.

Part of the reason for the rising staff levels is that despite heavy investment in computers, the sheer volume of paperwork continues to grow relentlessly. Since 1972, for instance, the number of items (cheques, etc.) cleared through the banking system has risen by close to a third.

Traditionally, base rates have been set slightly below three month inter-bank rates. In 1973/74 they were on average 1.4 per cent below the three month inter-bank rate, whilst over the last couple of years the gap has narrowed to a quarter of a point.

However, bank base rates stand at 8.5 per cent, whilst three month inter-bank rates hover around the 7.5 per cent mark. So, on past performance, there is scope for at least a full point cut in base rates.

This situation has been aggravated by the fact that the banks are also having to pay more for their funds reflecting the less favourable mix of deposits. A decade ago the clearing banks could rely on so-called "free" current account money for over half their sterling deposits.

Consequently, if U.K. interest rates move much lower, clearing banks can only pray that lending starts to grow considerably faster than it has been doing recently.

Friday's meeting crucial to company's future

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

EFFORTS to gain the backing of Leyland Cars' unions for the reform programme in labour relations demanded by the Government will face a crucial test on Friday.

The manual employees' working party, set up in the wake of the toolmakers' strike to sort out the State corporation's troubled labour situation, will be reporting progress to senior stewards representing nearly 100,000 workers.

It is hoped that the gathering will support the principles which should guide reform of the present chaotic negotiating and payments structure. Mr. Eric Varley, Industry Secretary, has made such an invite a condition for any further allocation of State finance.

Indeed, the very importance of Friday's meeting could inhibit the statement Mr. Varley has promised to make to Parliament earlier in the week about the future of Leyland Cars.

THE AUSTRIALIAN uranium mines will be developed one at a time if the government accepts the recommendations of an official inquiry which has been examining the issues for more than two years.

Output predictions more pessimistic

BY OUR INDUSTRIAL STAFF

MANUFACTURING industry confidence about future levels of output continues to weaken slightly, although one-third of companies still expect to see some improvement in the next four months, according to the latest monthly industrial trends survey from the Confederation of British Industry.

In soundings taken by the CBI between May 3 and May 18 among 1,712 companies, 33 per cent said that they expected output to increase; 53 per cent said it would not change; and 14 per cent predicted a decrease during the next four months.

Altman wins injunctions against Stock Exchange

BY KEITH LEWIS

MR. LEWIS ALTMAN, the stockbroker arrested in February with Mr. Robert Carnes, a co-director in the firm of Lewis Altman and Co. for alleged breaches of the Exchange Control Act (1947), has won two injunctions against the Stock Exchange.

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Ireland poll expected June 15

BY GILES MERRITT IN DUBLIN

IRELAND EXPECTS to go to the polls in a general election on June 15, although there remains an outside possibility that unfinished Parliamentary business in the Dail (Lower House) could delay the Fine Gael-Labour coalition's bid to secure re-election until June 22.

Weather

U.K. TO-DAY: E. Anglia, N.E. England, Dry, sunny. Wind N.E., light or moderate. Max. 19C (66F), cooler near coasts.

Extremists

He also hit out at the "front organisations" of Republic extremists, by which he clearly meant organisations such as the IRA's political wing, Provisional Sinn Fein.

Trial backed

THE UNION of Post Office Workers annual conference has given full backing to the two-year experiment in industrial democracy for the Post Office which involves a central Board made up of seven management seats, seven for the trade unions, and five for independent interests, including two consumer representatives.

Come one-stop shopping for North West facts. One highly professional and completely objective data source for the whole of North West England. North West Industrial Development Association.

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